THEORY & PRACTICE OF CO-OPERATION IN INDIA AND ABROAD

VOL. II

(Second Revised Edition)

BY

Prof. K. R. KULKARNI, M.A., F.R. Econ. S. (Lond.)

1959

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SOME APPRAISALS

The Hindu of Madras in its issue dated 18th Dec. 1955 writes :

"The Author has made extensive study of the Co-operative Movement in different countries and has brought out in two volumes the salient features of the progress made in the past century of its existence".

National Herald, Lucknow in its issue dated 8th April 1956 writes :

"These are useful books and students of economics will find them very valuable".

The Leader, Allahabad (Weekly issue dated 18th March 1955) writes :

"It is a useful book and should be read by all those interested in the study of Co-operation. Students preparing for examinations, conducted by the Bombay Provincial Co-operative Institute will find the book very valuable".

International Labour Review, March 1956, writes :

"The main object of this volume as of its predecessor is to provide to students of Co-operation useful information in handy form".

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BY

Prof. K. R. KULKARNI
M.A., F.R. Econ. S. (Lond.),

Some time Offg. Principal and Professor of Agricultural Marketing in India, All India Co-operative Training College, Poona and Ex-Financial Adviser, Co-operative Department, Bombay State, Poona.

With an Introduction
BY
Shri V. L. METHA, B.A.
Chairman, Bombay State Co-operative Union.

1959

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PREFACE

to the 2nd Edition

As already mentioned in my preface to the First Edition of this volume, I have concerned myself in this edition with a detailed treatment of the important branches of the Co-operative Movement only in four countries viz. Great Britain, Ireland, Germany and Denmark instead of 14 treated in the First Edition. Co-operation in Agriculture in Great Britain has made considerable strides during the last few years, and a detailed account has been attempted of the initial working and multifarious activities of the general purposes societies as well as marketing co-operatives, and service co-operatives. Great developments have also taken place in the sphere of co-operative consumers' movement in Great Britain and the report of the Co-operative Independent Commission has made many revolutionary recommendations in order to improve the competitive efficiency of the British Co-operative Consumers' Movement. Much new matter has also been introduced in regard to the working of the Co-operative Movements in Germany and Denmark. Considerable space has had necessarily to be devoted in order to attempt a proper treatment of all these developments and hence it was possible only to give an adequate account of the progress of the National Movements in 4 countries. I have made full use of the material contained in the Co-operative Independent Commission's Report and I am very greatly obliged to the authorities of the British Co-operative Union for giving me the requisite permission to use the material. Similarly Dr. Miss Margaret Digby has laid me under a deep debt of gratitude by allowing me to use the material contained not only in the books written by her but also the material contained in Occasional Paper Nos. 11 & 16 published by the Horace Plunkett Foundation. I take this opportunity to express my indebtedness to all the authors of books, pamphets etc. from whose writings, I have drawn the material. No attempts have been

spared to make this book as instructive and interesting as possible to those for whom it is designed. It is hoped that this revised edition will materially assist not only University and other students reading for their degree or diploma examinations but also others engaged in practical work in the field.

The Author.

PREFACE

to the First Edition

In my preface to the first volume of this series of books on Co-operation designed to help the students of Co-operation either in the class-room or in the practical field, I have already made mention of the handicaps under which they labour in the absence of a handy volume to assist them in the their studies. There are several good books, no doubt, on Co-operation in foreign countries written by eminent authorities, yet there is not one compact volume which deals with the important developments that have taken place after the 2nd World War. Recently, a small volume has been written by Shri S. Rajagopalan, Deputy Registrar, Co-operative Societies, Madras, dealing with Co-operation in 51 foreign countries, but within the limited space of the book it has not been possible for the author to treat the important branches of the co-operative movement in several countries at greater length though the book itself, on the whole, has been very well written.

In a number of countries, the Co-operative movement took advantage of the fluid conditions that prevailed at the end of the war and brought about a complete overhaul of the structure of the central organisations. There have been, of course, new developments. And valuable and interesting experiments have been made in many countries despite the economic dislocation that followed in the wake of the last war. The co-operative movement has in some countries withstood the stress and strain of the uncertain conditions of the post-war period very well; but after a century of existence or over, new " shoots are springing up vigorously from the old stock ".

To narrate the story of all the radical changes that have taken place in the national co-operative movements in several countries since the war would be certainly a task beyond the scope of this small book. What I have been able to do, therefore, is to concern

myself with a detailed treatment of the more important branches of the Co-operative Movement in some of the selected important countries as mentioned below :--

1. The Consumers' Co-operative Movement in Great Britain and Sweden.
2. Co-operative Credit Movement in Germany, Italy and Sweden.
3. Credit Unions in U. S. A. and Canada.
4. Land mortgage credit in Germany, England and France and land mortgage section in the Commonwealth Bank of Australia.
5. Farm Credit Administration and its set-up in U. S. A.
6. Co-operative dairies in Denmark, New Zealand and creameries in Ireland.
7. Co-operative marketing of agricultural products in U. S. A., Canada and Australia.
8. Farming Societies in Russia, Yugoslavia and Palestine.
9. Labour and Land Reclamation Societies in Italy.
10. Producers' Co-operative Societies in France and England.
11. Induscos in China.
12. Housing Societies in Sweden, U. S. A. and Israel.
13. Co-operative Education in Great Britain, Sweden, U. S. A., Canada and Folk High Schools in Denmark.
14. British Insurance Co-operative Society.

Material for this volume has been gathered from various sources, such as books, journals, pamphlets and articles in the Year Books of Agricultural Co-operation of the Horace Plunkett Foundation and other Indian Co-operative journals which are mentioned in the Bibliography at the end of each Chapter. I take this opportunity to acknowledge the deep debt of gratitude I owe to the numerous writers and authors of books, reports and articles from whose works and writings I have drawn the material. In presenting the material I have endeavoured to maintain a simple and lucid style and to make the book as accurate, useful and instructive as possible. I am, however, conscious that inspite of my best efforts the book is not entirely without shortcomings. I could not bring the information up-to-date in some of the countries as it was not

available. This book, I hope, will be found useful not only by students reading for the Higher Diploma in Co-operation but also by those in Colleges of Arts and Commerce who choose Co-operation as their optional subject for their degree or diploma examinations. The material presented in this volume would also, it is believed, be of considerable help for officer-trainees studying in other Co-operative intermediate grade training colleges set up or to be set up under the auspices of the Reserve Bank of India and other co-operative institutes all over India. Students reading for the G. D. C. and A. examination in the Bombay State will find ample material in this book for the purpose of their examination. It can also with advantage be consulted by co-operative workers in the field.

In preparing this book, I have received assistance from various institutions and individuals. My thanks are due to the General Purposes Committee of the British Co-operative Union for permitting me to use the material contained in the Co-operative Unions two books on Swedish Co-operation, viz. "Co-operative Enterprise" and "Co-operative Sweden today". Similarly I must convey my sincere thanks to Shri. J. C. Ryan, Chief Officer, Agricultural Credit Department of the Reserve Bank of India, for allowing me to make use of the matter contained in the Bank's pamphlets on Co-operative Education, Land Mortgage Banking, Housing, Co-operative Farming and Credit in other countries. I am also grateful to Shri D. A. Shah who was a member of the Indian Delegation to Canada for having allowed me access to the unpublished notes drawn up by him on the working of Co-operatives in Canada. Shri V. L. Mehta, Vice-Chairman of the Bombay Provincial Co-operative Institute, has laid me under a deep debt of gratitude by contributing a brief introduction to this volume also, despite the many urgent calls on his time. I must also express my sense of gratitude to Shri P. G. Chinmulgund, I.C.S., Ex-Registrar, Co-operative Societies, Bombay State, for having given expression to his opinions on the two-volumes in this series, extracts wherefrom appear elsewhere. Finally, I must thank the Aryabhushan Press, Poona, for the painstaking manner in which the work was executed.

Author

Co-operative Training College,
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Co-operative Training College,   Author
Poona.

INTRODUCTION

The first lesson that a student of Co-operation learns is that it is a social force which moulds economic life not in one country or in one continent but almost all over the world. It is essential, hence, that those who work in and for the movement in India should know something, at least, about the origin and growth of the movement in other parts of the world. The purpose of this, the second volume of Prof. K. R. Kulkarni's book on the *Theory and Practice of Co-operation in India and Abroad* is to enable students of co-operation to get information brought up-to-date on various aspects of the movement in different countries.

In the early days of the movement in India the publications from which one could gather information about co-operative developments in other countries were "Co-operation at Home and Abroad" by C. R. Fay and "Co-operation in Many Lands" by Mr. Lionel Smith-Gordon. It is difficult to get these publications now, nor have they gone in for revised editions. In India, we had Rao Bahadur S. S. Talmaki's "Co-operation in India and Abroad' published in 1931 which, again, is now unavailable. The International Labour Office issued in 1944 and 1945 two valuable treatises—"Co-operative Organisations and Post-War Relief" and "The Co-operative Movement and present day Problems." Both contain a fund of information and discuss a number of problems connected with the reorganisation of war-torn economy. What we needed, however, was a compact, comprehensive treatment of the development in different countries of those forms of co-operation, especially in which we, in India, are interested.

Among the subjects dealt with are Consumers' Co-operation and Co-operative Education. The countries that are covered are Great Britain, Sweden, Germany, Italy, Ireland, Denmark, France, Russia, Yugoslavia, Israel, United States of America, Canada, Australia, New Zealand and China. The countries whose names one misses are relatively unimportant co-operatively, with the

possible exception of Japan. The range of subjects is wide, though one would have welcomed a fuller treatment of the problem of agricultural credit, particularly in countries with a comparatively undeveloped rural economy. But for detailed study one has necessarily to turn to the various original sources on which Professor Kulkarni has freely drawn.

Social and economic conditions in no two countries are exactly alike. Hence identical methods of treatment or forms of development are inconceivable. All the same, even a hurried perusal of this second volume of Professor Kulkarni's studies in co-operation shows how much one country can learn from another. In this, as in other spheres of life, the need for diversity may be admitted, but the acceptance of the basic principles of "a good life" creates a sense of unity which makes co-operation the international force that it is.

Bombay, 2nd May 1955 | Sd/- V. L. Mehta

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THEORY & PRACTICE OF

CO-OPERATION

IN

INDIA & ABROAD

Vol. II

I

CO-OPERATIVE CONSUMERS' MOVEMENT IN GREAT BRITAIN

PART

[I]

1. Conditions in England prior to the Industrial Revolution :—The expression, ' Industrial revolution ' means all those changes in the condition of life and labour brought about by the application of power to industry and transport. This results in the introduction of new methods of production and transport yielding increasing quantities and varieties of wealth. The domestic system of production gives place to the factory system. Before the industrial revolution, England was mainly an agricultural country, industry and agriculture being carried on a small scale by yeomen and artisans. The system of transport was primitive and trade had not much developed, and the bulk of internal trade was carried on at weekly markets and fairs. The period covered by the industrial revolution in England is roughly about a hundred years from 1750 to 1850 and the revolution occurred in England first because of certain favourable factors. The industrial revolution in England could be considered in three main aspects, viz., (1) in agriculture, (2) in industry and transport and (3) in economic thought. In the field of agriculture, the old common field system gave place to a system of land tenure and land came to be enclosed. The enclosure movement gave rise to the appearance of a class of landless labourers and of capitalist tenant-farmers. Agriculture came to be carried on on more efficient lines, using new manures and improved implements. In the industrial sphere, the revolution manifested itself in the improvement of communications such as new roads, navigable canals and in the introduction of a variety of inventions in coal, textile and iron industries. The factory system came to be established which meant production on a large scale and use of machinery in substitution of human labour. Another revolution took place

with the introduction of the railway, the steamship and the telegraph, and this resulted in a complete transformation of the economic life of England, which exchanged her manufactured goods and shipping services for food-stuffs and raw materials.

2. Some results of the Industrial Revolution in England : These were :—

(1) Immense increase in prosperity as a result of expansion in the production of wealth, external and internal trade credit and banking.

(2) A rapid increase of population and the movement of the population from the south to the midlands and the north, which became the centres of industry. There was concentration of population in urban centres.

(3) The substitution of mass scale of production for the domestic type of production.

(4) The concentration of political and social power in the hands of the capitalist class and the deterioration of the status of the worker in agriculture and industry.

(5) The division of society into two hostile groups—the owner or employer class and the wage-earning class.

(6) Want of security of the economic life of the worker, industrial disharmony, booms and depressions.

As a result of industrial revolution, the community was faced with new social, economic and political problems. Thus the new economic system brought in its train some undesirable results, but what is surprising is that it had developed a philosophy of its own to justify it. It was thought that if every man was left free to pursue his own interest in acquiring money, the nation at large would be the richest possible, the only condition being that the State should adopt a policy of *laissez faire* (let alone). Further, poverty was regarded as the inevitable fate of the majority of the people and the desire to escape from its rigours or consequences provided the necessary incentive to human effort. The industrial revolution brought with it poverty and distress into thousands of homes because of the rapidity of the changes that occurred. The conditions of unemployment, under-employment, declining wages and the imposition of legal restrictions on the formation of associations for the improvement of economic conditions created wide-spread

discontent amongst the workers Not only the industrial conditions but the social conditions as well were such as to make the workers despondent or desperate. The slums in which the workers lived were degrading and there was an all-round tendency to strike on the part of workers to improve their social and economic conditions. The children of workers suffered most of all, as they had to work for 12, 14 or even 16 hours per day, in mines and factories, and they were ill-fed and badly treated. As a consequence, many of them grew to manhood to lead a vicious life. Sympathy for the children led to the passing of the Health and Morals Act in 1802. The extreme discontent of the working population was responsible for creating wide-spread demand for political, industrial and social reforms giving rise to the Chartist Movement, the Friendly Societies' Movement and the Co-operative Movement. These movements in their early stages represented the efforts of the working class people to find a way out of their distress and the leaders of the working class were all involved in them.

In order to remove wide-spread poverty and distress, the charitably disposed well-to-do persons began to attempt methods of assisting the poor in their own districts. Shops were opened where goods could be sold in small quantities at wholesale rates and corn mills were also established in a few places. These attempts, however, impressed upon the workers the need of doing for themselves what others had done in the matter of purchasing commodities in bulk at economical prices and then distributing them. These efforts were also supplemented by the Friendly Societies which began to help their members and the poor generally in the matter of keeping down the prices. The Friendly Society can be regarded as the forerunner of the modern co-operative consumers' society and represents efforts made on co-operative lines to meet the conditions created by the industrial revolution. Just as the new economic order created by the industrial revolution had found its adherents in economists, who defended it with all the powers of persuasion at their command, a new philosophy of revolt supporting the agitation against it, was also in evidence. The early growth of trade unionism, the evolution of socialist ideas as against individualism, the struggle for parliamentary reform and the early co-operative movement

were all manifestations of the reaction against the new economic order.

3. **Influence of the Economic Doctrines** :—As a result of the industrial revolution, there had arisen a new class of people going by the name of 'industrial proletariat'. The wage-earners had only their labour power for sale as any other commodity, and if that commodity did not fetch a living wage, it meant misery and starvation for the workers and their families. In many of the industrial towns of England at this time, conditions were appalling. The only hope of the workers lay in their organization as producers and trade unions had begun to be formed as a result of which strikes came to be organized and serious clashes with the employers frequently occurred. But curiously enough, the Malthusian conclusions confirmed the doctrine called 'the iron law of wages' under which the wage-earners were supposed that they were not entitled to earn more than what was just necessary to maintain themselves and to bring up their children. If wages rose above the subsistence level, there would be a rise in labour population and the consequent increases in the supply of labour would bring down the wages to the original levels. Another theory that was preached by the economists of the time was known as the 'wages fund' theory. Under this theory wages paid to the labourers came to be regarded as a part and parcel of the capital provided by the employer who made an advance so to say to the worker until the products of his labour were marketed. Thus wages were paid out of capital, and capital was saved out of profits. If wages rose, profits would be reduced to that extent. If the employer could not save as much as he used to do before, employment would cease to expand and wages would fall again. These arguments were employed to demonstrate to the workers the futility of their agitation for higher wages through trade unionism, as if what was advocated by the economists through the theories of wages fund and the iron law of wages was natural law. These doctrines of the economists, however, could not mislead the leaders of the working class, who clearly felt the necessity of emphasising social welfare as their goal rather than individual or private wealth. They believed that social evils were the handiwork of men born of false ideas and were not the the work of natural forces, and hence they set out to organise

the social and industrial life of the nation on co-operative lines in self-supporting and self-governing communities. Under the influence of Robert Owen, co-operation became a new principle of Social organization, as it occurred to the people to be a new way of escape from their poverty.

4. The Owenite Phase of the early Co-operative Movement in England :—Of the co-operators, the best renowned was Robert Owen, who was born in 1771. He spent the early years of his youth amongst small artisans and country people. He had seen the clean village in which he lived as a child and he also saw it converted later into a dirty manufacturing town. He saw poverty side by side with wealth, and he ascribed the wealth of the few to the misery or poverty of the many. He believed that if the new economic order had produced so much misery for the many, a different system based on co-operation, instead of on competition, could be expected to produce the opposite results. He was an exponent of the labour theory of value and a number of labour exchanges which aimed at the direct exchange of the products of labour were started in London, Birmingham and elsewhere. But this proved a failure because the independent producer which these exchanges were intended to help could no longer stand up against the growing competition of machinery. As a result of the powerful pen which Robert Owen wielded and his oratory, many co-operative societies were founded no doubt, but his ideas of co-operation were entirely different from what is meant by co-operation, later and to-day. He advocated the establishment of colonies situated on the land consisting of the producers of different commodities owning the means of production and working together for the purpose of satisfying common needs. But these were not to be democratically governed. The whole idea underlying the establishment of communities or colonies on co-operative lines rested on particular paternal government and philosophic support. Thus the communities failed as a consequence for various reasons which need not be reiterated. Similarly other plans of regeneration of society which arose directly or indirectly as a result of the teachings of Robert Owen proved also futile. All the experiments which Robert Owen himself regarded as important failed and Owenism came to be stigmatised as Utopian. There is nothing strange in the teaching of Robert Owen and his

followers about the benefits of co-operation, because the ideal of association was at the time in the air in opposition to the doctrines of private ownership and competition. It was Robert Owen who clearly perceived the conflict implicit in the principle of self-interest and the principle which he was advocating. Although the early attempts at forming co-operative communities had failed, the seeds of a new philosophy on which those organizations were founded did remain to grow again in the more favourable soil at a later age. The principles which were handed down by Robert Owen to the later co-operative movement are summarised by Carr Saunders and others in their book entitled " Consumers Co-operation in Great Britain " and are given below:—

(1) The elimination of private profit.
(2) Production for use by consumers in their voluntary associations.
(3) Common ownership of the means of production by accumulation of profits of joint enterprise.
(4) The utilization of the wealth of the community.

The Rochdale Society of Equitable Pioneers was founded when Robert Owen was alive but he appears to have disowned it on the ground that it was only an experiment at joint stock shop-keeping; Robert Owen's teachings were not in vain. They had the effect of stirring the people to the appalling conditions of industrial masses. If his particular methods did not remedy their plight, he awakened consumers and provoked thought on the urgent social problems of the day. The Owenite movement lasted for a period of twenty years from 1820 to 1840 and the doctrines and ideas preached by Robert Owen and his disciples were unsuited to the practical needs of the age and hence they were branded as Utopian. A number of co-operative societies were started, a League was formed for propagation of the idea of co-operation and conferences were also held, but by 1840, little was left of the Owenite movement because of its philanthropic nature. The Owenite societies took their birth because of a feeling of pity in order to relieve the misery of the working classes at the time.

5. Dr. William King:—Another advocate who took interest in the co-operative idea and who had adopted Owenite system was Dr. William King of Broughton. He founded the

Broughton Society in 1827 and published his ideas in "*Co-operator*", a paper founded by him. In this periodical he formulated the philosophy underlying the consumers' co-operative movement and the methods that were needed to make it a success. Dr. King once wrote in his periodical as under:—

"Co-operation means literally working together; union is strength in all cases and without exception. What one man cannot do, two may; what is impossible for a few is easy for many; but before many can work, they must join hand in hand. They must know their objective and feel a common tie."

From other writings that appeared in this periodical it was apparent that Dr. King had visualised in advance the modern development of the co-operative movement, but he accepted the main economic ideas of his time and thus many of his arguments were old-fashioned. He had recognized that a colony was not quite essential to a co-operative society which was truly co-operative in character and that a small initial capital was enough to start a society. The simple and homely style in which the '*Co-operator*' was written and the enthusiasm and good will that were discernible in every issue of it made the "*Co-operator*" a valuable guide to the working men co-operators of the day. The main difficulties that confronted the early co-operative movement or rather experiments were the inability of the members to stand together for long. The working poeple had not appreciated the need to stand by their leaders and to give loyal support to their own organizations. As a class, working people were illiterate and ignorant of business and neglected to keep themselves in touch with the working of their societies. They placed blind faith in the trustees or officers running their societies so long as the latter worked well. When something went wrong, they were seized with panic and in that frame of mind they deserted their society. Societies also suffered from lack of competent business management. Accounts were carelessly kept and audit was neither searching nor thorough. Societies' profits were frittered away or divided according to capital holdings. Credit trading was permitted and there was no fair treatment meted out to the purchasing member. Added to these it was the failure to yield immediate advantages that explained the reasons for the decline of the early co-operative experiments. The life of the industrial and agricultural commu-

nity held no attraction for many members who were in need of increasing their real income suffering as they were from irregular employment and low wages. Thus many turned to the revolutionary Trade Unionism, and to Chartism, which appeared to hold out rapid relief they sought. The only hope of the individual workers lay in their associative action and they began to organize as producers forming trade unions which undertook to do the fighting function. The workers began to organize politically also and thus a powerful political movement of the new industrial proletariat came to be started. This was the Chartist Movement. In the year 1836, the working men's association was started in London with a view to bringing about political and social reform for the benefit of the working classes and securing for them votes also. A common programme came to be formulated known as the " people's charter " in the next year, and that is why the movement is designated as the " Chartist Movement ". The common programme chalked out consisted of the following demands:—

(1) Universal franchise for alln.
(2) Voting by ballot.
(3) Holding of annual elections Parliament.
(4) Formation of equal electoral districts.
(5) Remuneration for members of Parliament.
(6) Abolition of property qualifications in the Municipal and Parliamentary Elections.

Though the Chartist movement failed of its purpose while it lasted, it had an important part to play in the stimulus it provided to the early working class movements. When the efforts to secure fundamental political rights failed, the English working people turned their attention to the organization of consumers' co-operatives after the conviction had been borne in upon them that a strike is a double-edged weapon that would hurt not only the employer but the worker as well, as industrial machinery would thereby be thrown out of gear. They also realized that their strength lay in the organization of economic power for the workers before they could hope to gain political power. The leaders of the working class people had clearly perceived on the failure of the Chartist movement that it was essential for the workers to organize themselves both as producers and consumers, if they were ever to be free from the

stranglehold of industrial capitalism of the time, and in consequence to escape the miseries implicit in wage slavery.

6. Social, economic and political conditions in England when the Rochdale Pioneers started their Store :—By 1840, the social, political and economic conditions in England began to improve, which indirectly promoted the advance of the co-operative movement. England was becoming the workshop of the world. With reform in taxation the cost of living cheapened and the working classes began to feel that they could afford to have something more than the bare necessities of life. The rise of Friendly Societies and Trade Unions helped the workers to find their own trustworthy leaders and their confidence was gradually returning in their power to help themselves. The Railways and the Telegraph also assisted a good deal in promoting the unity amongst the working class organizations. With a change for the better in their standard of living came a change of temper in the working classes themselves. The younger generation reconciled itself to the factory system and tried to make itself more comfortable in the existing circumstances. The fighting functions of the Trade Unions were abandoned in favour of conciliatory methods and accumulating funds for undertaking fraternal functions. The Amalgamated Society of Engineers became the model Trade Union to emulate. The Trade Unions were generally led by leaders from the working classes themselves, who believed in the exchange of ideas and persuit of a common policy and joint action. The high sense of duty and their integrity served to earn for the leaders respect from Parliament. The large funds which they built up served to enable Trade Unions to pay liberal unemployment benefits to the workers and to deprive the obstinate employers of skilled labour. Although the Chartist movement failed, its aims had inspired the radical wing of the Liberal Party and most of the reforms they demanded had been granted. The State had by this time abandoned its policy of *Laissez faire* and was undertaking legislation for the regulation of industry and protection of working class people. Factory Acts were passed after 1840 in rapid succession providing for the limitation of working hours and night work. Employment of children and women in coal mines was also prohibited. The restrictions thus imposed upon hours of labour contributed to an increase in

the national wealth by making the workers more healthy and by improving their efficiency. The new Poor Law set up by the Act of 1834 served to develop the nation's physique and in 1839, as a bye-product of the Factory Acts, Government increased its contribution in aid of public education from £ 20,000 to £ 30,000. A series of far-reaching reforms could not have failed to bring about marked changes in the national outlook and people began to listen to the message of the poets and writers of the time, who exercised profound influence on the minds of the public. Although economists of the time began to look with suspicion on the extension of the part of the State to regulate industries, Sir John Stuart Mill, the greatest of them, in his later years abandoned the wages fund theory and began to advocate voluntary co-operation in all its forms.

7. The Rochdale Pioneers :—Rochdale is in the heart of the Lancashire area. In the Lancashire cotton mills the hours of work were long and the wages were short, and something had to be done to remedy the situation. An incident in Rochdale early in 1844 was responsible for starting the co-operative movement. A small group of workers found themselves without work and they sought the aid of their fellow-workers and of the shop-keepers of the town with whom they were usually trading. The unemployed men decided to contact one Italian shop-keeper for help, but instead of bread which they were asking, they got stones. He told them to get about their job, because he had nothing for them to give. His lack of response roused the weavers and their conscience. Not only were their wants not satisfied, but they were humiliated also and their feelings were hurt. For them this was too much to bear and clearly they began to seek an alternative way of life. These were the men who became the Co-operative Pioneers of Rochdale. Others before them had groped in darkness for the correct co-operative path. Earlier societies had failed; some because of faulty constitution, some because of bad management and others because of disloyalty of members and dishonesty of officers and servants. Many failed because too much was expected of them. But the Pioneers of Rochdale were shrewd practical men and had learnt the lessons from the failures of past experiments. They thought out a plan which would be practical and at the same time would avoid the mistakes implicit

in the earlier plans. They had also a vision of the immense possibilities of the co-operative scheme. Thus the Rochdale Society of Equitable Pioneers came into existence on August 15, in 1844 and the 28 flannel weavers founded it as members. Their initial share capital amounted to £ 28 sterling. The members were of varied political and religious persuasion. Some of them were Chartists, some socialists and some were Owenite co-operators. Further, some of those who joined were unemployed, some were irregularly employed and all of them were poor. They started with a few articles like butter, sugar, flour and oat-meal and opened their shop in the evenings and some of their members acted as salesmen. The Pioneers made the beginning on a very small scale, and the birth of the Society attracted but little attention at the time.

8. Objects and Methods of Pioneers :—The statement of Objects and Plan which the Pioneers adopted was as follows :—

" The objects and plan of this Society are to form arrangements for the pecuniary benefit and improvement of the Society and domestic conditions of its members by raising a sufficient amount of capital in shares of £ 1 each and to bring into operation the following plans and arrangements."

" Establishment of a store for the sale of provisions and clothing. "

" Lending, purchasing or erecting of a number of houses in which those members desiring to assist each other in improving their domestic and social conditions may reside. "

" To commence the manufacture of such articles as the society may determine upon for the employment of such members as may be without employment or who may be suffering in consequence of repeated reductions in their wage. "

" As a further security and benefit to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by members who may be out of employment or whose labour may be badly remunerated. "

" That as soon as practicable this society shall proceed to arrange the powers of production, distribution, education and government, or in other words, to establish a self-supporting home colony or united interests or assist other societies in establishing such colonies. "

"That for the promotion of sobriety, a temperance hotel be

opened in one of the society's houses as soon as convenient. "

Though the objects of the society were such as to appeal to the idealists, they would not have certainly ensured its business success but for the fact that the Pioneers formulated the rules and methods which ensured such success, becuase they were intensely practical. These rules and methods which the Pioneers adopted were :—

(1) **Sale of Goods at Prevailing Market Prices** :—Goods were bought wholesale and sales were effected at market prices while retailing. This rule was very practical in its effects and may be said to be one of the rules that ensured the success of the co-operative consumers' movement not only in Great Britain but also in other countries as well. If the Rochdale Society had not charged for its goods and services at current market prices, it should have shared the same fate as others did before it was started. That is why the Pioneers were shrewd enough to avoid the pitfall or price competition. There are several reasons justifying the method adopted. In the first place, it is difficult to tell in advance what it is going to cost to the business. If an attempt is made by a co-operative to sell to its members goods at cost plus cost of handling, it will soon find itself in difficulties, as it is impossible to determine in advance what the handling cost would be. A co-operative society stands, therefore, on safer ground by charging the same price as other shop-keepers and traders do. Again, an attempt to sell goods cheaper than others usually results in price wars. If a small concern begins to sell its goods at somewhat cheaper prices than its bigger competitors, it can do so only for some time, but the bigger concerns can and do retaliate and begin to sell goods at less than cost for a time. The small independent concern cannot afford to sell at a loss and so it has to go out of business in order to avoid the loss, as it has obviously not got adequate financial resources to win the battle. Similar would be the fate of a small co-operative store if it tried to sell its goods and services at lower prices than the competing capitalistic business. This price war would certainly go on until the co-operative exhausts itself. Then prices would again be pushed up.

(2) **Payment of a fixed rate of interest on capital** :—The payment of interest which a co-operative would be required to pay on the capital borrowed by it would have a first claim on

its profits and the rate itself would not exceed the current market rate. In the ordinary capitalistic business the rate of return which the shareholder receives on the capital invested by him has no upper limit, the return being dependent on the size of the profits made by the concern, but co-operative societies would usually pay capital at the current rate of interest and nothing more. People who start co-operative societies are often people of moderate means and the requisite capital needed for the business of a co-operative is often secured by considerable self-sacrifice on the part of the members and it is but proper that capital should be rewarded by a fair wage out of profits. For example, the 28 weavers of Rochdale who were all poor men made tremendous sacrifices in order to collect their first or initial capital of £ 28. The Pioneers felt that the sacrifice made by the members deserved a reward. This they gave in the form of interest on share capital. The rate of interest was 5 per cent. This rate was definite and fixed and represented the current market rate at the time.

(3) Distribution of profit in the form of dividend on purchases in strict proportion to the amount of purchases. (Patronage refunds in proportion to purchases) :—Payment of dividend on purchases was certainly a wise element in the Rochdale scheme of store-keeping and the policy underlying was responsible for the success of the Rochdale Society to a much greater extent than any other policy practised by the Pioneers, because it appealed dirctly to the poor people much more than what the allocation of the profits of a co-operative society to a common good fund could. What distinguishes an ordinary private store from a co-operative store is that in the former goods are charged more than what they cost. Some portion of that charge goes to pay the rent of the buildings, to meet establishment charges and interest on money borrowed. A part of it also is utilized in setting aside the cost of renewals and replacements of fixtures, fittings, and furniture and other equipment. What is left after all these expenses are met is the net profit which is distributed among the proprietors in proportion to the capital invested in the business. But in a co-operative store this surplus is regarded as an overcharge to the people who trade with the store and it is given back to them in proportion to the amount of purchases made by them. In co-operative literature it is usual

to find it recorded that wherever co-operative stores have made considerable progress, they have brought about a revolution in the economic condition of the people that patronized them in the ways mentioned below :—

(1) Patronage refunds redistribute wealth amongst people of limited means and it has been estimated that during a period of 50 years in Great Britain, the consumer co-operative store distributed patronage refunds to the extent of £ 100 crores (£ 1000 million).

(2) Through payment of patronage refund profits as understood in commercial parlance are eliminated from the co-operative store. It is because of patronage refunds and a limited reward on capital borrowed that consumers' co-operatives are distinguished from capitalistic businesses, and they are converted into organizations for service.

(3) The surplus, if not wholly withdrawn by members, serves to build a solid financial foundation for a co-operative store, making continuous expansion possible. In regard to the payment of ' divi ' on purchases, distinction is sought to be made between members and non-members, and non-member patrons get only half of what the members get on their purchases. This practice is defended on the ground that the consumers' co-operative stores follow the policy of open and voluntary membership and it is not, therefore, equitable to extend the same privileges to non-members who have not contributed anything towards the share capital of the concern. It is the members who subscribe to the share capital so as to make the co-operative store a business success in the locality and it is they who assume the risk also. As against this view, modern co-operative opinion is inclined in favour of treating both members and non-members alike in regard to the payment of patronage refunds, provided that such refunds in the case of non-members are not paid in cash but credited to the non-members' account until each has acquired one share.

(4) **All purchases and sales should be paid for in cash :—** The temptation to do credit trading in a co-operative store is very great and requires to be overcome. If a co-operative store votes in favour of doing credit business, certainly the chances of its failure are greatly increased for several reasons. In the first place, if the business is done on credit basis, more capital is re-

quired than otherwise, because resources get locked up in credit accounts. If the society has not got adequate resources, capital must have to be borrowed and interest charges would thus increase the cost of operation. In maintaining unpaid accounts engaging staff for their collection, the store would have to incur extra expenditure. These extra expenses would have to be met either by marking up prices on the goods offered for sale or must be debited to the gross profits. In either case the person who pays cash for his purchases is penalized at the expense of the customer, who is allowed to buy on credit. Secondly, the material advantages of cash trading may be set down as under :—

(1) The cash discounts on purchases made from the wholesalers or manufacturers would be substantial.

(2) There would be less book-keeping expense. As the co-operative consumers' stores allowing credit purchases will have to maintain accounts of customers to whom credit is given, more expenditure on maintaining accounts is incurred. In the case of co-operatives doing business on cash basis only, this expenditure is certainly saved. Again, sending out monthly statements to customers who do credit buying adds to office expenses also, which are also economised, if trading on cash basis is done.

(3) Avoidance of bad debts. It is obvious that when a concern trades on cash basis, there are no bad debts unlike in the case of a business that permits credit buying. Similarly collection expenses are also saved.

(4) When trading is done on cash basis, more resources are available, which lead to a more favourable position while buying goods required.

(5) Since a co-operative store doing cash business will not have to borrow large sums, there is saving also in interest charges.

Thirdly, the moral advantages which follow the introduction of a system of trade on cash basis are as follows :—

(1) One of the advantages of cash trading is to enable the members to live strictly within their means. If a person is, however, enabled to do credit buying, he is tempted to make purchases of things both necessary, and unnecessary, the value of which might go beyond his capacity to pay within reasonable time. Cash trading, therefore, necessarily overcomes this temptation to live beyond one's means.

(2) Cash trading makes the position of the manager of a business easier, as he will not have to take a decision as to who should get credit and who should not. It is obvious that when credit is granted to some, while it is refused to others, those to whom credit is refused are apt to be against the society. Similarly, the manager is relieved of much of his business anxieties by resort to cash trading.

(3) Finally, cash trading strengthens the moral and financial responsibility among members and customers.

(5) Both sexes should have equal rights.

(6) Each member to have one vote and no more.

(7) Regular and frequent meetings to be held for the purpose of discussing the society's business.

(8) Accounts to be properly kept and audited and balance sheet to be presented to members regularly.

9. The Rochadale Principles :—The principles practised by the Rochadale Pioneers can be gleaned from their practical work. They are as follows :—

(1) The Principle of open membership or universality.
(2) The Principle of democracy.
(3) The Principle of equity.
(4) Thə Principle of unity.
(5) The Principle of economy.
(6) The Principle of publicity.
(7) The Principle of liberty.

At the Congress of the International Co-operative Alliance held in 1930, a Sub-Committee was appointed to review the so-called Rochdale Principles, and after protracted discussions at the successive Congresses it was decided to split up these principles into two categories—primary and secondary.

(1) Primary Principles :—
- (i) Open membership.
- (ii) Democratic control.
- (iii) Patronage dividends.
- (iv) Limited interest on capital.

(2) Secondary Principles :—
- (i) Political and religious neutrality.
- (ii) Cash trade.
- (iii) Promotion of education.

10. Further activities and method of doing business adopted

by the Rochdale Pioneers' Society :—Started in the year 1844 and working in accordance with the rules referred to above, the Rochdale Society made steady progress. Though the Rochdale Pioneers were poor people, they were rich in the possession of four great virtues which normally ensure success in human endeavour, viz., Courage, Common sense, Patience and Faith in effort. They insisted on cash payment for all purchases and gave full weight and measure and good quality. The members invested various small sums of money with the Society at low rates of interest. Additional funds, when required, were obtained only from members. Their constitution provided that the administration of the Society's affairs should be controlled by members through a Committee elected by them, that each member should have only one vote at the general meetings of the Society, and that the balance-sheet should be presented at quarterly meetings to enable members to examine the financial position of the Society at regular intervals. The surplus effected in trading was to be divided into three parts : one to be given to the members in proportion to the purchases made, another to be set aside for reserve fund and the third to be appropriated for educational purposes, and later on, a definite percentage of profits was set apart for promoting education. Members were encouraged to leave the dividend with the Society as deposit or as share capital—a device that proved helpful in building up the financial strength of the Society on the one hand and in inculcating the habits of thrift among members on the other. A member was also at liberty to withdraw his shares except one necessary for the retention of the membership. A distinguishing feature of the British Co-operative Consumers' Stores is that even from the very inception women had equal rights with men in the conduct of society's affairs in contrast to the German consumers' movement where women had no place. This equality of both sexes in membership rights is the foundation of success of the English Co-operative Movement which owes not a little to the loyalty of women. They were true and loyal to their own shop. All members had an equal vote in deciding matters of policy irrespective of the amount of their share-holding and the net surplus after meeting all charges was repaid as rebate on purchases. Dealings with non-members were not prohibited and the practice was to give

to such purchasers half of the dividend given to members. Later, such non-members could join the society on payment of one shilling on a £ 5 share, the balance being paid out of accumulating dividend on purchases. Anyone could buy from the society for cash and anyone could be a member and thus become entitled to the full dividend on purchases. The Pioneers worked their Store in full faith, having honest and straightforward dealings. New members were soon enlisted and within a year the membership increased to 74 and the turnover of business amounted to £710. The number of articles traded in also increased and the trade grew rapidly. The Rochdale Pioneers had some lean years before 1850 and their system at first spread slowly. Despite many vicissitudes, the number of stores multiplied and their number stood at 130 in the North of England and the Midlands and Scotland. Production for use had always been kept in view by the Pioneers and as soon as sufficient capital was accumulated, shoe-making and tailoring departments were added in 1852, and thus a beginning was made in the manufacture of goods required by members. This was becaus the Pioneers were intent on becoming producers. They eere influenced directly or indirectly by the Owenite ideals of self-governing communities through which they hoped to overcome the severities of the capitalist industrial revolution. Since they were practical men, they soon realised that the trend of progress or development was not back to the village community but forward to an economy for exchange on a world-wide basis under which they would considerably benefit as consumers and workers.

10. Rochdale Plan of Development of activities :—It is a tribute to the farsightedness of the Pioneers that the objects and and plans approximated to the aspirations and methods of modern co-operators. They thought in terms of making the whole world a Co-operative Commonwealth by encouraging co-operative action among the people of all nations through the development of local and national organizations in their respective countries and bringing their organization together for internationval action through the instrumentality of international co-operative organizations. The Rochdale Plan for securing the control of commerce and industry was as under :—

(1) The first step is the organization of the consumers'

demands by the local stores and the satisfaction of such pooled demands through national wholesale societies in the markets of the world.

(2) The second step is the organization of production locally, nationally and internationally with the securing of adequate demands.

(3) The third step is the organization of land from which raw materials and produce can be obtained with an assurance of adequate consumption in productive factories and distributive agencies.

Through these three stages it was proposed for the co-operative organizations to secure all the wealth they produced providing co-operative employment and cutting out unnecessary middlemen, so that wealth might pass on to the ultimate consumers at a lower cost of effort than is possible in the capitalist system. Though the consumers' movement had proceeded on these lines, there was still much ground to cover. Though the speed was slow, what was more important was the direction of progress. Co-operators are naturally inclined in favour of proceeding in right direction and if the progress is to be speeded up, the only way is to quicken the intelligence of the generality of co-operators. This can be accomplished by paying proper attention to educational matters and educating the co-operators.

11. The removal of legal impediments and the Christian Socialists :—One of the difficulties which the early co-operatives started either for production or distribution had to face was the fact that law gave them no protection. These difficulties from their path were cleared in a manner that the Pioneers could scarcely have dreamt of. The movement received a stimulus from a group of reformers who belonged to the well-to-do classes and the Church of England. They were known as the "Christian Socialists" because they drew their inspiration from Christianity and Socialism which was becoming popular in France at the time. The Pioneer of the new social movement was John Malcolm Ludlow a colonel's son who was called to the Bar in 1843 at Lincon's Inn. He had spent most of his life in France and had mastered the political economy of his day. He had imbibed the socialistic spirit of the French Republicians. He had also been a member of a Protestant Society engaged in the study and relief of poverty. He

attempted some social work amongst the poor people. In this work he was also able to interest Rev. John Maurice, a Professor of Theology at King's College; Maurice's theological writings, notably his book on "The Kingdom of Christ" had led to his acquaintance with Charles Kingley, a Rector of Eversley in Hampshire. Kingley accepted the teachings of Maurice. These three friends determined to publish a periodical called "Politics for the People". This periodical appeared for only three months and the number of subscribers had reached 2000. It penetrated into industrial towns and had done much to frighten vested interests by its plain speaking about poverty. These three men were responsible for the formation of the Castle Street Working Tailors' Association in 1850. Thus their activities began as a group. In order to give publicity to what they were doing, they started a Weekly called "*Christian Socialist*" in the month of November 1850. This was followed by the appearance of novels written by Charles Kingley which served much to stimulate public interest in what the Christian Socialists were doing.

12. Formation of Working men's Associations :—The Castle Street Tailors had begun business on a borrowed capital of £300, but the promoters remained only a group of friends without a constitution. By June 1850 the Society for promoting Working Men's Associations was formed and model rules were framed. This Society was governed by a Council representing the promoters and the Central Board representing the associates. The business of the Council was to raise funds and to spread the idea of co-operation, while the Central Board was concerned with the formation of new working men's associations and their supervision in order to see that they worked on proper lines. The members of the Society elected their own office-bearers such as Chairman, Secretary and Treasurer, and the Council supervised the conduct of its affairs. Executive power was vested in the Manager subject to the control of the Council. Membership of the Association was confined to those who had served apprenticeship in a workshop. Under the auspices of the Society for promoting working men's associations, no less than 9 associations were formed during the years 1850-52. Most of these associations had a chequered career and some of them that survived were later converted

into private firms. This situation was due to the fact that the Managers of the Associations lacked business efficiency, though they were men of learning, and the members or associates that joined these Associations were wanting in fidelity to co-operative principles. The Christian Socialists learnt from these experiments a valuable lesson, viz. the working men needed education if they were to engage with success in co-operative industry. While promoting these associations, the Christian Socialists encountered difficulties occasioned by the fact that the law as it existed gave no protection to the associations they were bringing into existence. Associations or societies were registered under the Friendly Societies Act, but their operation would be limited by the frugal investment clause under which the dealings with the general public were prohibited and only those trading operations intended to supply the needs of members of the societies or associations were protected. This clause did not hinder the work of a co-operative store to any great extent but it was obviously useless for a co-operative productive association. Further, the Friendly Societies' Act prohibited the associations from holding property in their own names. The premises or other movable property which an association might acquire for the purpose of doing business had to vest in law in the trustees appointed by the association, but if the trustees misused their position, the association had no legal remedy against them.

The alternatives were also not very satisfactory. An association consisting of less than 25 persons could be formed as a partnership but each member had the right to pledge the credit of the partnership. An association consisting of more than 25 persons could be registered only under the Joint Stock Companies Act of 1844. Under the provisions of that Act, it was necessary to nominate three directors, to fix the amount of capital and to divide the capital into transferable shares. To get registration, a fee of £ 50 to £ 60 had to be paid. Thus in order to improve the position in regard to law, it was necessary to get certain unserviceable clauses in the Friendly Societies' Acts repealed. Continued pressure on ministers and with the help of members of Parliament like Mr. Robert Slaney, it was possible to introduce legislation into Parliament for the benefit of industrial workers. The Bill so introduced in Parliament on 19th March passed through

all stages and received the Royal assent on 30th June 1852. The Act known as the "Slaney's Act" removed restrictions imposed by the frugal investment clause, gave permission to a Co-operative Association for trade and work and permitted non-transferable shares. But the law did not allow limited liability, nor did it permit one society to hold shares in another. Thus almost all that the promoters aimed at, except limited liability, was incorporated in the Act. It was therefore, a boon not only to the producers' societies but also to the young and rapidly growing co-operative stores started on the model of the Rochdale Society. After securing legal protection to the Society, the Christian Socialists turned their attention to the work in the field of education. So in the year 1845 they placed their educational work on a permanent foundation by starting a college, which was the last piece of work carried out by the Christian Socialists as a body. During a period of six years from 1848 to 1854 the united efforts of the Christian Socialists had done much to bring about a change in the attitude both of the Church and of the general public towards co-operation and trade unionism. The practical value of Christian Socialists' experiments with working men's associations was rather negative than positive, and their energies would have been directed in more fruitful channels and direction, had they learnt the lesson earlier that co-operative production is best attempted after co-operative distribution has been successfully mastered. It was the Christian Socialists' knowledge of the working of the parliamentary machine that secured co-operative societies their Charter. Under the influence of their teachings workers began to strive for better housing, improved education and more effective protection of public health. From 1860 onwards the progress of the British co-operative consumers' movement was more rapid. The Industrial and Provident Societies Act, 1862, repealed a provision which forbade co-operative societies, from becoming members of each other; wholesale societies, processing or producing goods for retail societies who were their customers and members could then be established and the whole complex of the co-operative movement began to develop. By 1881 there were in existenc 1000 retail societies with half a million members. The C. W. S. and the S. C. W. S. had become vast trading and manufacturing organizations with their own banking and insurance facilities

and their own overseas sources of supply. The Co-operative Union, a co-ordinating and policy-making body, for the whole British Co-operative Movement, was also in being. From 1881 onwards up to the present day, the membership of retail societies has continued to grow very rapidly from over half a million to about twelve million. The value of business has increased four-fold since 1906. The number of retail societies, after reaching a maximum of 1450 in the first decade of the twentieth century has since been receding progressively and is in the neighbourhood of a thousand at present. (964)

13. Co-operative Retail Societiest and their Legal Status:— In Great Britain co-operatives are regisered under the Industrial and Provident Societies Act passed in 1892, but fairly frequently amended. The Act was last amended in 1952. By a provision in the Finance Act of 1939, the use of the word 'Co-operation'or 'Co-operative' is limited to societies registered under this Act. Institutions already registered prior to 1939 which included the word 'co-operaive' in their titles or names are permitted to keep it. This is intended to protect people who might be tempted to deal with or invest their monies in a private venture bearing the title 'co-operative'. A society registered under the Act is an association of shareholding members with a perpetual succession and a common seal with limited liability. It is a corporate body with a right to sue and be sued. No one below the age of 16 can become a member of such a registered society. To qualify for registration a society must consist of at least seven individuals and at least two other societies registered under the Industrial and Provident Societies Act. Applications for registration are dealt with by the Registrar appointed under the Act. The Act does not do more than indicate rather generally how a co-operative society should be run leaving most of the matters to the model rules which are, when necessary, framed by the Registrar and approved by him. The Rules and amendments to the Rules must also be approved by the Registrar. The first signatories of the application for registration of the society constitute the first Executive Committee until they are replaced by a Committee elected at the General Meeting of all the members. The General Meeting is required to elect a committee within one year of registration of the society. The Committee appoints the necessary paid staff and attends to the day-to-day work of the sooiety.

The accounts of every society are required to be audited by a public auditor on the Panel of Public Auditors approved by the State. The Auditor is elected at the General Meeting which has to be held at least once a year and the audited balance-sheet is also required to be placed before it for its approval. Similarly, once a year. societies are enjoined to furnish to the Registrar returns showing the financial position and particulars in regard to membership. These returns are open to inspection by the public in the office of the Registrar on payment of a crown. The Registrar is practically a registering authority and rarely interferes with the working of a society so long as they work according to the Act and the Rules of societies. He has also some other routine duties to perform under the Act. The societies adopt limited liability, the only form prescribed by law.

14. Membership of Societies and their services to consumers—a general picture :—There were 964 societies at the end 1955, with a membership of 117,83,267, showing an increase of 2.58% over the previous year's figure. There was a fall of 9 societies. This decrease is partly due to the fact that 7 societies were merged with existing ones and one was dissolved, and partly due to the fact that one society was re-classified as a retail society. In two instances two societies amalgamated to form a single new society. The following table indicates the number of societies as also their membership over a period of years up to the end of 1955.

Year.	No. of Societies.	No. of Members.	Increase in membership.	Percentage of increase.
1881	971	547,212	...	...
1891	1307	1044,675	497,463	90·0
1901	1438	1793,167	748,492	71·6
1911	1403	2640,429	847,262	47·3
1921	1352	4548,557	1908,128	72·3
1931	1188	6590,020	2045,463	44·9
1941	1059	8773,255	2183,235	33·2
1951	1006	10691,843	1919,288	21·9
1954	973	11486,726	794,883	6·5
1955	964	11783,267	296,541	2·6

It will be seen from the above statistics that co-operative membership has grown phenomenally during a period of 70 years

from 1881 to 1951 from just over half a million to a little less than 11 millions. The first million was reached in 1891, the second in 1903, the third in 1914, the fourth in 1919, the fifth in 1926, the sixth in 1929, the seventh in 1934, the eighth in 1937 and the ninth in 1944, and a little less than 11 in 1951. At the end of 1955, the membership was a little less than 12 million. Of these retail societies there were 14 with a membership of over 100,000 and in the order of magnitude of membership they are listed as follows :-

	Names of Societies.		No. of Members
1.	London	...	12,14,035
2.	Royal Arsenal	...	3,69,261
3.	Birmingham.	...	3,46,699
4.	South Suburban	...	2,49,976
5.	Liverpool	...	1,94,927
6.	Leeds	...	1,60,484
7.	Nottingham	...	1,35,822
8.	Belfast	...	1,28,755
9.	Barnsley-British	...	1,26,643
10.	Manchester and Salford	...	1,24,005
11.	Bristol	...	1,18,456
12.	Walsall	...	1,04,420
13.	Portsea Island	...	1,03,741
14.	Newcastle-on-Tyne	...	1,00,160
		Total	34,77,384

These figures indicate that there were 14 societies having an aggregate membership of a little less than 3·5 million accounting for about 32% of the total membership of societies. There were many small societies with a few hundreds or a few thousands of members. Out of 964 societies there were 376 societies having a membership of less than 10000 but more than 1000 each. There were 209 societies having a membership of less than 1000, the rest having membership varying from 10001 to 100000, their number being 365. Societies having a membership of less than 1000 formed only 21·9% of the total number of societies. What distinguishes the Consumers' Co-operative Movement in Great Britain from its counterparts in other countries is that while it is fairly common elsewhere to find separate societies for performing different services, one supplying provisions, another milk, a third providing

banking facilities and the fourth insurance cover, in Great Britain all these services are performed by one local society. Further, a town society may have a number of branches in the surrounding countryside and the requirements of the rural population in respect of seed, implements, feeding stuffs and fertilisers, are met by these branches. It would be rather difficult to mention articles that are not supplied by these societies except alcoholic drinks. A few societies are licensed to sell drinks as well. A variety of services is being now provided by these societies. A graphic desciption of the services rendered by retail distributive societies is given by E. Topham and J. H. Hough in their brochure entitled "*The Co-operative Movement in Britain*" by telling the story of a Mrs. Smith who is residing with her husband, being newly married, in a small manufacturing town in the North of England. Mrs. Smith becomes a member of a local co-operative society. She buys her grocery and provisions and many other goods from a branch shop established in the neighbourhood of her small housing estate. When a purchase is made each time, she tells the shop assistant the number of her shares and the shop assistant writes on a piece of paper her share numbers and the amount of her purchases and a duplicate of this writing goes to the society's office to be aggregated for dividend purposes. In the centre of the town is a dry goods store where gowns, coats, shoes, haberdashery and millinery can be had and where her husband may have a suit tailored. Whenever she makes a purchase, whether it be stocking or a hat, she is given a check-a piece of paper recording her share number and the amount of her purchases. In the basement there is a hairdressing establishment where she can make arrangements for a perm 'shampoo and set' and where she pays for the service and gets another check. On the top floor there is a cafe where meals can be had and if she takes her meal and pays for the same, she gets another dividend check. There is, however, no compulsion on her to utilise all the services given by the distributive society. She is free to buy a hat from the store and other articles from its competitors, if she thinks she can make a better bargain. Thus she is a voluntary co-operator. As a true co-operator, loyal to her institution she decides to add milk to the supplies like other thousands of house-wives. Thus she notifies her intention at any branch and every morning the motor vehicle of the society delivers the required number of bottles of pure pasteurised milk. She

further decides to have her laundry also done by the society and the laundryman calls at her door each week. Since the 'Smiths' have a very small cottage, they have not sufficient storage space and hence they request the society to supply them with one or two Cwts. of coal as required, which is done and the coalman also gives them a cheque. At the end of the dividend period, she finds that by her purchases of meat, bacon, cheese, fruits, bread, milk, coal, hats,shoes, stockings and expenditure of money on hair-dressing and laundry, and because of a large proportion of money spent on household expenditure she has qualified for the payment of dividend. If the dividend is 2 shillings in the £, she can get 10 per cent. of her total purchases or expenditure incurred on services received from the society to her account at the office of the society. In actual practice, on an average a housewife who patronises a co-operative store claims to save round about 10% of the money normally required to be spent on her household expenditure. In order to give diversified services to its members and customers, large fleets of sales delivery vehicles continue to be maintained and the number of such vehicles was in the neighbourhood of 21,000 in 1941. Other retail services developed either by retail societies individually or by groups of retail societies acting together include laundry, hairdressing, both for ladies and gentlemen, funeral furnishings etc. A few retail societies were also operating cinemas on a commercial basis and had departments such as fish and chips, bar-wine and spirits and other miscellaneous services including dental treatment, chiropody, travel agency, painting and decorating, garage, etc. It should be remembered that retail societes are not solely trading concerns, but they also operate a savings bank. Members are encouraged to invest their savings in their societies Well-to-do members or non-members who have surplus capital to invest can give the society loan capital on which interest at 3 per cent is given.

15. Turnover of Business or Trade:—The main trade of retail co-operative societies continues to be in food, particularly groceries and milk. Grocery is the main department in nearly all societies. Barring some small one-shop societies, most of the retail societies do also a considerable and expanding trade in clothing, furnishings, hardware and coal. Theyal so provide a number of other goods and services such as laundry, dry-cleaning, cafes, hostels and cinema etc. They are also entering the radio and

electrical goods trade.

For the year 1955 the value of trade amounted to £ 84,24,12,030 giving an average of £ 71.49 per member. Its breakdown over various sections has been given below :-

1.	Irish	...	1,02,14,543
2.	Midland	...	13,85,95,294
3.	Northern	...	7,88,29,940
4.	North-Eastern	...	9,01,70,136
5.	North-Western	...	12,21,84,191
6.	Scottish	...	13,73,98,508
7.	Southern	...	19,85,67,837
8.	South-Western	...	3,37,30,288
9.	Western	...	3,27,21,293
		Total	£ 84,24,12,030

According to the Census of distribution of 1950, co-operative societies had 26,358 retail establishments or about 5% of the total number of reporting retail establishments, which aggregated, 5,31,143. About 42% of co-operative retail establishments were groceries, and co-operative grocery stores formed about 8·6 per cent of all grocery stores in the country and did about 24% of the business done by such stores. They handled a larger trade than other grocery stores. Co-operative societies also owned other retail establishments, selling food with a total trade of £ 14,75,60,000 or 16% of all trade done by food retailing establishments other than grocery stores. From the survey of co-operative trade in certain departments it is found that there is strength in some and weakness in others. The dry goods section has not displayed sufficient strength as competition in this trade is the keenest, and novelty and fashion also play a larger part. The bigger co-operative societies are trying to make up the leeway against the competition of powerful opponents,- the private chain stores. The trade in milk supply is rather impressive, as it is based on large-scale collection of milk from farmers, its pasteurization and distribution in milk bottles. The subjoined table gives the necessary statistics in regard to trade handled by retail establishments owned by co-operatives at the end of the years 1954 and 1955. The figures given are based on the information

contained in the annual returns which give a general trend. The figures may, therefore, be regarded as a broad approximation only.

Departments	Amount of Sales (in million) 1954	1955	Percentage to total 1954	1955
1. Grocery, bread and confectionery, including tobacco, cigarettes	422·1	443·5	53·23	52·64
2. Butchery	68·0	69·8	8·58	8·29
3. Greengrocery, fruit and fish	15·1	16·3	1·90	1·94
4. Milk	91·5	101·1	11·55	12·00
Total food stuffs	596·7	630·7	75·26	74·87
5. Drapery	55·8	59·0	7·04	7·00
6. Men's ware	16·8	17·5	2·12	2·07
7. Footware	16·4	16·5	2·07	1·96
8. Furnishing and Hardware	43·5	50·8	5·48	6·03
Total dry goods	132·5	143·8	16·71	17·06
9. Coal and fuel	30·2	31·4	3·80	3·73
10. Pharmacy and Opticals	13·8	15·3	1·74	1·82
11. Other Departments	19·8	21·2	2·49	2·52
Total	63·8	67·9	8·03	8·07
Grand total	793·0	842·4	100·00	100·00

In 1951 the total retail sales of co-operative organizations amounted to £ 663 million. This was about 7% of total consumer expenditure in the United Kingdom including expenditure on travel, entertainments and the value of food eaten. According to the census of distribution, which covered about 91% of

all establishments in Great Britain, whose major activity was the retailing of the goods other than motor vehicles, cycles, motor and cycle accessories and perambulators the share of the co-operative trade was 12% of the total trade aggregating £ 4,930. Co-operative trade rose to £ 793 million in 1954 and at the end of 1955 it stood at £ 842·4 million. A study of statistics relating to co-operative retail trade reveals that the retail sales have been steadily on the increase despite the two World Wars with shortages and restricted consumption. With an increase in the total volume of trade there has also been in evidence a steady rise in the average purchases per member, though during certain periods a fall has been noticed owing to a considerable increase in membership. The subjoined table indicates the total retail trade and the average purchases per member over a period of years.

Amount in Million £

Year.	Total sales.	Average per member.	(Fractions rounded off).
1881	15·0	28	
1891	30·0	29	
1901	52·0	20	
1911	74·0	28	
1921	218·0	48	
1931	207·0	31	
1941	302·0	34	
1951	663·0	60	
1954	793·0	69	
1955	842·0	71	

It is to be expected that as retail societies first commenced their trade in grocery and provisions, the Departments still account for the greater part of co-operative turnover of business. Great changes have, however, taken place over a period of years in the spending habits of consumers and retail societies are as a result required to pay increased attention to other departments. It is appropriate, therefore, to compare the sales of retail societies with the total personal consumers' expenditure on goods and services. The following table exhibits the share of co-operative retail societies in total expenditure by the consumers on goods and services.

1930 to 1956 :

Year	Co-operative share per cent.
1930	5·5
1938	6·0
1946	5·6
1948	5·9
1950	6·5
1952	6·8
1954	6·6
1956	6·8

N. B.—Figures taken from Table 1 at page 2.--*Report of Co-operative Independent Commission.*

It will be seen from the above figures that the rate of advance has slowed down to an appreciable extent since 1930. Since 1950 the rate of expansion is very small. A more accurate picture of retail sales can be had if we examine the co-operative share of the total retail trade and not of total consumer's expenditure, as certain categories of consumer's expenditure such as housing, gas and electricity, motor cars, entertainment and petrol do not come within the ambit of co-operative trade. The retail co-operatives do not handle these lines at all. A comparison can also be usefully made with the share of other types of retailers such as multiple shop organizations and departmental stores. The subjoined table, therefore, indicates the varying rates of progress of different types of retail organization.

Estimated share of different types of retailer in total retail trade (1930-56)

Period.	Co-operative societies %	Multiple shop organisation %	Departmental Stores%	Other Retailers%
1930-34	9.5 to 10.5	13 to 15	4 to 5	69.5 to 73.5
1935-39	10 to 11	16 to 18	4.5 to 5.5	65.5 to 69.5
1947-51	10 to 11	19 to 20	4.5 to 5.5	63.5 to 66.5
1952-56	10.5 to 11 5	21 to 22	4 5 to 5 5	61 to 64

N. B.—Figures taken from Table No. 2 at page 3 of the Co-operative Independent Commission Report.

These statistics confirm the impression gathered in the last table that there has been considerable slowing down in the rate of co-operative expansion. Before the World War II co-operatives and the multiples handled approximately an equal share of the retail trade. While the co-operative share remains even today practically what it was before, the share of the multiple organization has nearly doubled that of the co-operatives. It is the multiple shop organization that has thrown the greatest challenge to the co-operative movement and it is necessary, therefore, to indicate in the following table figures showing detailed co-operative and multiple progress from which it would be seen that the co-operative share of trade in the year 1954-56 was only about 3% higher than the figures in the years 1937-39, but the multiple share was some 20% higher. The following table indicates the estimated shares of co-operative societies and multiple shop organizations in total retail sales, 1935-1956.

Share in Total Retail Sales of

Year	Co-operative Societies Per cent.	Multiple Shop Organization Per cent.
1935	10.1	
1936	10.3	
1937	10.5	17.1
1938	10.8	
1939	10.9	
1947	10.2	18.8
1948	10.4	19.1
1949	10.5	19.4
1950	10.9	19.8
1951	10.9	20.6
1952	11.3	21.2
1953	11.2	21.3
1954	10.9	21.4
1955	10.9	21.4
1956	11.1	21.7

N. B.—Figures taken from Table No. 3 appearing at page 4 of the Co-operative Independent Commission Report.

These figures indicate that during post-war years co-operative progress has practically come to a standstill. The slowest pos-

sible rate of expansion is in evidence despite several favourable factors. In the first place, co-operative membership increased by about 3 to 4 million over the pre-war figures. There was also the lead given by the co-operative movement in 'self-service' which certainly gave an advantage to the co-operatives over their competitors. The cumulative effects of full employment and the redistribution of incomes have implied that co-operative households were better off both absolutely and relatively to other social groups. One would, therefore, expect that these favourable factors should have been reflected in a rapid expansion of co-operative trade, but unfortunately these expectations have not materialized.

In the following statement the performance of co-operatives by commodity groups is given over a period of 20 years (for the specified years 1935, 1950 and 1955):

Commodity Group	1935 Co-operative Sales as percent of National Sales.	1950 Co-operative Sales as percent of National Sales.	1955 Co-operative Sales as percent of National Sales.
Groceries, provisions, fish, fruit and vegetables and household stores. ...	15.9	14.6	14.8
Bread and flour confectionery. ...	14.4	14.1	14.6
Meat and poultry. ...	8.9	13.3	10.2
Milk. ...	19.9	31.7	34.2
Chocolate, sugar confectionery and ice-cream. ...	2.2	2.4	2.4
Total food and household stores. ...	13.9	15.1	14.5

Commodity Group	1935 Co-operative Sales as percent of National Sales	1950 Co-operative Sales as percent of National Sa les	1955 Co-operative Sales as percent of National Sales
Tobacco goods. ...	8.2	7.8	8.2
Women's and children's wear. ...	5.7	6.0	5.4
Men's wear, ...	5.7	6.9	6.4
Footwear. ...	9.3	9.0	7.8
Total clothing and footwear. ...	6.3	6.8	6.1
Household durables, furnishings, hardware. ...	5.2	7.7	7.6
Chemists' goods. ...	5.4	8.3	8.3
Other goods and services.	3.4	4.4	4.4
Coal. ...	11.4	15.4	14.9
All goods. ...	10.1	10.9	10.9

N. B.—Figures taken from Table No. 4 appearing at page 5 of the *Co-operative Independent Commission Report.*

Competition of Multiple Shops and other Rivals.—The co-operatives have been facing intense competiton in every field of their trade activity. They have been retaining that share of total retail trade which they reached in 1930's, while the private multiple-shops which had about the same share before the War have doubled

theirs, because they too have learnt to organise and have become in their own way consumer-conscious. Modern methods of publicity under expert guidance and direction have given them immense advantages resulting in a large measure of influence over consumer demand and public taste. The multiple-retailers, because of their unified command, are in a position to use their warehouses, transport and bulk buying arrangements to their greatest advantage. Nor are they fettered in their activities unlike in the case of co-operatives by social and democratic principles, nor are they amenable to pressure groups as in the case of an elected directorate of a co-operative.

In contrast with the co-operatives, multiple-shops are under no obligation to maintain establishments of organized services which do not pay their way. In such circumstances, the co-operatives have lost ground to the multiples and have failed to attract young consumers despite the fact that they own 60% of the self-service shops in the country. Food makes up 75% of the co-operative trade and co-operatives have maintained their position in the door-to-door delivery of milk and bread. They have lost ground in dry goods trade particularly is respect of clothing and footwear. The subjoined table indicates the percentage share of retail trade of co-operatives as contrasted with that of its rivals :—

	1935 %	1950 %	1955 %
(1) Food and Household Stores :—			
(i) Co-operatives.	13.9	15.1	14.5
(ii) Multiples.	14.5	16.5	17.0
(iii) Others.	71.6	68.4	68.5
(2) Footwear			
(i) Co-operatives.	9.3	9.0	7.8
(ii) Multiples.	41.0	47.0	50.5
(iii) Others.	49.7	44.0	41.7
(3) Women's and Children's Wear			
(i) Co-operatives.	5.7	6.0	5.4
(ii) Multiples.	10.5	21.5	26.5
(iii) Others.	83.8	72.5	68.1

(4) Household Durables and Furnishings

		1935 %	1950 %	1955 %
(i)	Co-operatives.	5.2	7.7	7.6
(ii)	Multiples.	14.0	20.0	21.5
(iii)	Others.	80.8	72.3	70.9

(5) Men's and Boys' Wear

(i)	Co-operatives.	5.7	6.9	6.4
(ii)	Multiples.	21.0	29.0	31.5
(iii)	Others.	73.3	64.0	62.1

(6) Chemists' Goods

(i)	Co-operatives.	5.4	8.3	8.3
(ii)	Multiples.	30.0	37.0	38.5
(iii)	Others.	64.6	4.7	53.2

The figures in the above tables show a varied and disturbing picture of co-operative trade as between different commodities and as contrasted with other retailers. The picture in food is mixed; milk has achieved the most remarkable expansion as compared to any single commodity; bread has maintained its position; but meat has suffered a decline since 1950. The performance of co-operatives in the groceries field is rather disturbing inasmuch as co-operative share of the trade is now lower than what it was in 1935, contrary to our expectations. This is attributed to the fact that there is weakness in the fruit and vegetable trade and fruits and vegetables now claim a larger expenditure out of total expenditure on food, than it did before. The exceptional increases recorded in milk and coal point to the fact that where delivery service is efficient, there is a greater increase in co-operative trading in those commodities. In 1935 the share of co-operative ttade in the three commodities viz., bread, coal and milk, which are delivered at home was 19.2% of national retail sales as compared with 12.7% of national retail sales. Between 1935 and 1955 these commodities increased their share of co-operative sales to 21.6%. From the table it will be seen also that the co-operative rate of progress as compared with that of multiple organization and other retailers handling a number of different commodities is much

less. The progress recorded by the multiple organizations in all major commodity groups has been more substantial than that of the co-operative movement. In the case of clothing and footwear trades during a period of 5 years, viz., 1950 to 1955, the multiple organizations made a notable advance, while the co-operatives mostly failed to keep pace but also actually declined. Thus the general picture that emerges is as under :—

(1) Despite a large increase in membership and other favourable conditions, the co-operative movement has only slightly increased its share of trade during a period of the last 20 to 25 years.

(2) The multiple shop organizations have substantially increased their share of trade over the same period.

(3) The failure of the co-operative movement to expand its share is marked both in the food and non-food trades. In the case of the latter, the share of the multiple organization has been found to be spectacular.

(4) There are striking variations in the co-operative share of trade as between different commodity groups. In the words of the co-operative Independent Commission's Report, the general public buys 35% of its milk from co-operative societies, 15% of its groceries and bread, 10% of its meat and 6% of its clothing and footwear. The relative importance of a small number of standard commodities appears to be on the increase. The following table indicates the co-operative and multiple-shop shares of trade by regions :—

Region.	Co-operative Shares of			Multiple Shop Share of Total Sales per cent.
	Food sales per cent.	Clothing, Hardware, Furniure and Department Store Sales per cent.	Total Sales per cent,	
Northern	30.0	15.2	20.4	21.0
Scotland	32.4	12.6	20.1	18.2
North Mid-land	27.6	9.4	17,0	18.6
East & West Ridings	23.2	7.2	14,3	19.8

Region	Co-operative Shares of			Multiple Shop Share of Total Sales per cent.
	Food sales per cent.	Clothing, Hardware, Furniure and Department Store Sales percent	Total Sales per cent.	
North-Western	23.9	6.7	13.4	19.9
Wales	18.4	7.3	11.3	21.7
Midland	19.1	5.3	11.3	23.2
Eastern	17.6	6.4	10.9	23.4
South-Western	17.3	5.7	10.3	21.4
Southern	13.0	4.4	7.7	26.2
London & South-East	11.8	3.6	6.3	30.6

Note.—Figures taken from Table 6 at page 8 of the *Co-operative Independent Commission Report.*

The above table indicates the regions where there is scope for development of co-operative trade. But the table gives figures only for the years 1950 and the position that existed in that year. In order to discover where progress is being made and where it is not the regional trends may have to be examined. In order to appraise co-operative progress in different regions between one year and another, the changes in the retail trade of each region between those two years is required to be known. But no such information is at present available, and we could get information regarding movements in population in each region, and according to the Independent Commission Report, a reasonable assumption can be made that regional sales move roughly in line with national sales adjusted for changes and population. On this basis or assumption the increase or decrease in the co-operative share of retail trade in each Co-operative Union Section between 1948 and 1955 as well as co-operative trade per head of the population in 1948 is shown in the following table :—

Section	Change in Co-operative Share of Retail Trade in 1955 compared with 1948.			Co-operative Sales per head of population in 1948.		
	Total trade per cent,	Food per cent	Dry Goods per cent.	Food	Dry Goods	Total
Southern	+ 12.0	+ 13.8	+ 6.2	4.7	1.4	6.6
Midland	+11.4	+ 11.8	+ 3.5	8.5	2.0	11.4
Western	+ 6.9	+ 9.2	– 3.6	5.6	2.0	7.9
Northern	+ 3.0	+ 4.1	– 0.6	11.6	4.0	16.4
North-Eastern	+ 0.2	+ 0.0	– 6.2	8.7	2.3	11.9
South-Western	– 0.9	+ 1.7	– 13.6	5.7	0.6	8.0
Scotland	– 1.5	– 3.4	+ 0.3	12.4	4.0	17.2
North-Western	– 8.1	– 7.6	– 11.7	8.0	2.1	11.1

Note.— Figures taken from Table 7 at page 9 of the *Co-operative Independent Commission Report.*

From the statistics contained in tables given in previous paragraphs it would be seen that the co-operative movement in Britain has significantly failed to increase its share of trade over the last two decades, as compared with the Multiple Shop Organizations. This failure on the part of the co-operative movement can, in the opinion of the Independent Commission, be attributed mainly to four weaknesses mentioned below.

(1) **The unnecessarily small number of co-operative outlets.** Taking the country as a whole, it is found that there are too few co-operative outlets. To have a correct picture in this regard we must distinguish between food and dry goods on the one hand and different regions on the other. According to the Independent Commission, there are too many grocery shops in the North in some areas. This may be due to the fact that a number of societies working in close proximity to each other or to a movement of population leaving the shops behind under-utilized in a de-

clining area. Thus a society cannot utilise its resources in the best interests of its membership, as it carries surplus assets. The position is, however, exactly the reverse, in the opinion of the Commission, in the South and the West. There are many areas where the grocery outlets are too few. In the Northern, Scottish, North-Eastern Sections all have more than five fixed shops per 10000 of population, but the Southern Section has only two, South-Western and Western Section 3, and the Midland Section 4. Thus it will be seen that Southern and Western regions are under-shopped in groceries. Again some types of food or provision outlets are deficient in all parts of the country—Greengrocery branches, fish shop, wines and spirit licences, automatic vending machines and so on. As regards greengrocery branches, co-operative trade in fruit and greengrocery is still disappointing and in the opinion of the Indepentendent Commission, this has been responsible in no small measure, for the movement's failure to expand its total food trade since 1935. Only one in 20 of the buying public patronizes the co-operative grocer compared with 1 : 3 who buys co-operative milk. There is the imperative need, therefore, of increasing the greengrocery outlets, whether as separate shops or as separate departments within self-service shops and super-markets. The question of providing delivery services, while considering shopping facilities in food trade, assumes importance. Delivery services, it may be noted, are necessarily costly, but many consumers prize the service, as it shortens the shopping hours. In the case of bread, the recent trend on the part of societies to abandon delivery services is likely to jeopardize the sales and profitability of federal bakeries and wholesale flour mills, and may give fuller scope to the growing competition from large-scale private firms. The question of undertaking delivery service is of a controversial nature according to the Commission, and there are divergent views thereon. The Commission recommends, therefore, that the Central Bodies should undertake investigation to see if federal or regional deliveries and the opening of shops at places of work could be organized and if such federal or regional deliveries could be arranged, the delivery service may be charged for. With regard to dry goods outlets, the most serious deficiency is their inadequate number. True that there has been some increase in the number of co-operative departmental stores since the end of the war, but the movement, in the opinion of the Commission, is still lagging far behind in

the provision of specialist dry goods shops. For example, the number of specialist clothing shops remained practically unchanged at 2700 between 1946 and 1955, while the number of footwear shops declined from 1068 to 934. Nor has any progress been made in the field of variety bazars. This relatively less favourable picture in dry goods trade can be confirmed by comparing the number of co-operative outlets with the total number of outlets in the country. In 1950, there were in Great Britain 1,68,000 dry goods outlets forming 40% of the total number establishments which stood at 4,24,000/-. In 1955 there were only 54 establishments which were classified as co-operative dry goods outlets. The 4,24,000 establishments mentioned above were selling both food and dry goods of which 40% only were classified as dry goods outlets. Similarly, in 1955 the total number of comparable co-operative establishments selling food and dry goods were 29,750. Of this number only 5400 or 18% were classified as dry goods outlets. If the co-operative movement were to have the same proportion of dry goods outlets to total outlets as obtains nationally, if, in other words it were to offer its members facilities in dry goods on the same relative scale as it offers them in food it would roughly need to increase its dry goods outlets to a figure of 16000 to 17000. This would give a total number of co-operative shops of about 40,000 of which 40% would then be in dry goods. Members of co-operative societies, it may be noted, cannot buy co-operative dry goods, however excellent, unless they have shops to buy nearby, e. g., in the Greater London area, having a population of 8 million and with two million co-operative members, there were only 31 co-operative men's wear shops or one shop for every 60000, co-operative members. But in the same area there were 688 branches of multiple shop organizations selling men's wear.

(2) The Distribution of Co-operative Shops :—According to the Report of the Independent Commission, the second weakness of the retail co-operative movement is that the distribution and siting of co-operative shops fails increasingly to correspond with the geographical pattern of retail trade. This happens within a single town. It is found that in many large towns, the co-operative departmental store stands a distance apart or is even located in another part of the town altogether, instead of being located in the very midst of its competitors. When the store is found

located in another part of the town, the site may well have chosen by the working class shoppers years ago, as they must be fighting shy of fashionable shopping areas being content with a shop somewhere near where they lived. For food stores such sites might have been the right ones also, but for most of the dry goods the Commission considers them to be not suitable. In footwear, clothing, and household durables, the main shopping centres are attracting a higher and higher proportion of the trade, whether such centres be the fashionable ones existing in the middle of the town or the prospective centres of the future in the new suburban areas. It is in such localities that the prosperous multiple organizations and the chain stores locate their shops. A random sample survey made of 28 towns in England with a view to obtaining some factual evidence on location under the supervision of the Independent Commission shows that in three cases only were the co-operative shops located in a good shopping site, i. e., in the main shopping centre and near the multiples. In 9 cases the location was medium while in 16 cases the location could be described as poor, being away from the main shopping centres and the sites of the multiple shop competitors. The co-operatives appeared to be scared away, according to the Commission, by the high rents of the central sites or by the presence of so many competitors. It should be remembered, that there is nothing to be frightened at high rents, as high rents are practically the result of so rich a concentration of trade and the presence of competitors should be on the contrary a further spur to business rather than a deterrent, as the location is correct. In the opinion of the Commission, unless the co-operatives are prepared to follow, in the wake of competitors—the multiple shops—it is certain that their dry goods trade would slip away. Just as the siting of shop within a single town is important, so is the distribution of co-operative shops as between towns of different size. It is common knowledge that in the last few decades there has been a movement of population in Britain from rural parts into the towns and along with it there has occurred a major migration of dry goods trade as well. There has also been, of late, an increasing tendency on the part of consumers to be prepared and willing to travel considerable distances for purchasing their dry goods. They appreciate the choice, the variety of goods and even the bustle which the urban shopping areas with their numerous competing shops provide.

Thus there has been a continuous flow of dry goods trade from the countryside and smaller towns into the larger towns. The movement of national dry goods sales has not, however, been accompanied by a corresponding movement of co-operative dry goods sales, with the result that the geographical pattern of co-operative dry goods trade is hopelessly out of joint with the national pattern. The co-operatives are the weakest in the larger towns where the highest proportion of trade is carried on while they are the strongest in the rural areas and smaller towns where less and less trade is done. According to the Report of the Commission, there are 120 towns in Britain with a population of over 50000. These towns have a population of 53 % of the total population, 62% of all retail trade and 72% of all dry goods trade, but only 54% of co-operative dry goods trade. This disparity is even more marked if 54 towns with a population of over 100,000 were taken into account. These account for 24% of the total population, 52% of all retail trade and 60 % of all dry goods trade, but only 40% of co-operative dry goods trade. The following table shows co-operative and multiple shops' share of trade of towns of different size :

Town-size Group	Co-operative shares of			Multiple Shops Share of Total Sales
	Food Sales per cent	Clothing, Hardware Furniture and Department Store Sales per cent	Total Sales per cent.	
Greater London	12.0	3.4	6.	32.1
Population over 250,000	22.7	5.0	11.1	24.1
100,000 - 250,000	20.8	6.3	11.6	24.5
50,000 - 100,000	22.0	7.3	12.7	24.6
25,000 - 50,000	24.2	10.6	15.5	21.9
10,000 - 25,000	23.8	11.0	15.8	19.9
2,500 - 10,000	21.5	10.0	14.2	16.
Remainder of Great Britain	21.7	17.0	17.7	9.9

Note.—Figures taken from Table No. 12 contained at p. 43 of the *Co-operative Independent Commission Report.*

The above table indicates that in so far as food trades are concerned, there is no weakness discovered in any particular size of town, but in dry goods trade, the table tells an entirely different story. What strikes the eye is that with an increase in the size of the town, the share of co-operative trade declines and that of the multiples increases. As the size of the town diminishes, the share of the co-operative trade increases, while that of the multiples declines. It should be remembered that the bulk of the trade is not in the small towns but in larger ones. One of the reasons responsible for increase in the co-operative share of trade in the smaller towns is the absence of competition from the multiple shops. Perceiving the trend of trade, the multiple shops do not care to compete with co-operatives in the smaller towns but in the larger towns having population of 50,000 or over where nearly 75% of the dry goods trade is done and where the competition of the multiples is ferocious, the co-operatives have signally failed and their failure cannot be doubted. This failure suggests that there is an imperative need of redistribution of co-operative outlets in dry goods trade. The movement has only 50% of specialist clothing and furniture shops per head in towns of over 25,000 inhabitants, while in towns of under 25,000 it has double the number per head with the result that 52% of co-operative clothing shops are situated in areas responsible for only 18% of the trade in clothing. In furniture also, a similar proportion of co-operative outlets is located in areas responsible for 14% of the national trade. The same criticism can be made of the distribution of co-operative departmental stores. Out of 119 towns with more than 5000 inhabitants, there appeared to be at least 54 towns having no full-fledged departmental stores. In 1950 in the footwear trade the co-operative movement had 22 specialist establishments serving the Greater London population of 8½ million, but 185 establishments serving towns having population between 2500 and 25,000 with a total population of 7 million were functioning. These examples from the dry goods trade show how ill-distributed are the co-operative dry goods outlets and how undershopped are certain important selling areas. Unless this imbalance is corrected immediately and within a few years action taken promptly, the Commission feels certain that the sites as well as the markets will be lost to the movement's competitors—the Multiple shops and the Chain stores.

(3) **The quality of Shops.**—It is not enough for a retail organization that it should have an adequate number of shops properly located in the heart of shopping centres, but it is also necessary that the shops themselves should be of high quality as well as the goods sold in them. These aspects are dealt with in two paragraphs that follow :—

It may be noted that rising living standards during the last two decades have made the British consumer a great deal more exacting than her predecessor. She naturally demands modern premises with a smart appearance, attractive window display, a convenient layout and bright lighting. The more progressive multiple shops, according to the Commission, give top-priority to such matters and set a high standard in that behalf. Of course co-operatives have also attained high standards. There are in the centre of new cities or blitzed cities many imaginative innovations of older premises. But this picture is merely a patchy one as the new or the renovated shops form a very small proportion of the whole. The picture of a co-operative shop in many cases is that of "ponderous, unimaginative, grocery-cum-butchery-cum-drapery, cluster-built in the 1900's, still operating counter service with old-fashioned window display and the exterior clumsy and badly in need of paint and with the interior frowsy and unattractive." There are many co-operative shops answering this description in Scotland and in the North of England, giving the co-operatives a name for backwardness and drabness. The explanation for this state of affairs lies in the fact that the co-operative movement being the pioneer in the field and dotting the country with shops before the multiples came on the scene has a larger legacy of obsolete shops than its younger rivals. This is the penalty which the movement has to pay for being a pioneer in the field. But this is only a part of the explanation. Another reason for the backwardness of the co-operative shops is due to more human factors than anything else viz., complacency and conservatism. As observed by the Independent Commission, there are a number of societies, the premises of which are of indifferent quality and yet the societies boast of very sound financial position, the ratio of their investments to members' capital being more than 50 as laid down by the 1951 Policy Committee. What is often forgotten is that in the opinion of the Commission, the co-operative movement is a dynamic trading organi-

zation and not a giant investment trust. Part of the capital would require to be utilized in rennovating the shops and more funds spent in development trade rather than lock them up in investments. It may be noted that the younger generation of consumers is certainly more fastidious than its predcessors, and they demand a much higher standard of shop and service. If the co-operatives fail to satisfy their demand, neither loyalty nor dividend on purchase will prevent them from going to the shops of the competitors and this, in fact, must be already happening. The fact that the appeal of the consumers' movement to the younger generation in Britain is considerably less than it was to the elders, has been confirmed by the Consumers' survey of new membership in a large north-western society. From the data gathered it is seen that membership of a co-operative is taken out rather late in life. It is not taken out until marriage. More than half the number of new members have been married over five years before they joined the Society, and the average interval between marrying and joining is 9½ years. If the early years of married life are taken to be periods of heavy household spending, the relative failure of societies to appeal to the newly married implies a considerable loss of potential co-operative trade. The Oxford Savings Survey also has, according to the Independent Commission, disclosed that only 2% of co-operative members are below 25 years of age; many people now get married even before they are 25 and many unmarried people of 25 age or under leave their parent's households. Both these groups may be expected to be members of the co-operatives. Lastly, a recent survey of the Pattern of sales of women's and girls' clothing in urban areas has disclosed that 74% of the clothing sold by co-operative shops was for women aged over 30 and only 11% for women aged between 15 and 29. In the the case of the multiple shops, 52% of the clothing sold was for women over 30 and 35% for 15-29 age group. The same enquiry has also brought out the fact that the expenditure per head in clothing by women aged 15-29 is 66% higher than the expenditure per head by women aged over 30. Thus the co-operatives have failed to attract the heavy spending teenage and younger women, having a bias in favour of older women shoppers. Anyway, the Commission feels certain that the movement will not make up its serious leeway amongst the young unless the appearance and layout of its shops reach the contemporary standards of

comfort and elegance of its rivals. Allied to the quality of the shop is also the size of the shop. In food-trades especially, the modern trend is towards larger shops ultimately resulting in super-markets. The co-operative movement fares better in this respect as its grocery shops are on the whole substantially larger than those of either multiple organizations or independent retailers. But in the case of dry goods trade where the trend is also towards larger shops, the movement makes less favourable showing. The co-operative specialist shop in men's wear and footwear is approximately of the same size as that of multiple shop's branch, in women's clothing, furniture and hardware, but it is appreciably smaller, and the contrast between the two is the greatest in the large town. In a similar way co-operative departmental stores are also smaller than private ones, the turnover of the former being only 40% of that of the private stores. But the trend is towards smaller stores located in suburban shopping centres. The co-operative movement with its tradition of small stores may take advantage of the trend.

4. Quality of Goods sold in Co-operative Shops :—The last question is whether the goods sold at the co-operative shops come up to the standard required by the fastidious consumer of today. This standard will of course be judged by the quality, range of choice, price and availability of credit for the goods sold. On the whole, the Independent Commission has found that the prices charged by the co-operatives are slightly higher than the prices charged by the multiple shops and slightly lower than the prices of independent retailers. In the North, prices are put up with a view to bolstering up dividends on purchases. On the whole, the prices charged by co-operatives may be regarded as fair. The Commission advises that as a rule, the societies should not allow themselves to be considerably undersold by its major competitors. They should constantly make test purchases to see that they are not. As regards price policy, one complaint made against the retail co-operatives is that they ignore the manufacturer's recommended prices on co-operative productions with the result that the same commodity is sold at different prices at different places, thus placing a handicap in the manufacturer's advertising policy which requires that a fixed price should be mentioned in the advertisement. This view, however, is not shared by the Independent Commission on the ground that it is not an invariable rule for manufacturers to mention

price in their advertisement. The Commission is further opposed to the principle of price dictation by the manufacturers. It may be noted that distribution costs vary between different parts of the country and different types of outlets, and retail prices do vary with them. Thus the Commission is opposed to charging uniform prices, though it does not deny the right to fix maximum prices. Yet it opines that the Society should be free to pursue 'flexible margin' policy.

As regards the quality of goods sold in co-operative shops, it may be stated that in most food and in non-fashion dry goods lines, sales consist mostly of privately manufactured branded goods or of co-operative productions. The quality of the former is naturally the same in co-operative as it is in private shops. The co-operative productions also are, in the opinion of the Commission, fully the equal of competitors' goods. In these fields, therefore, failure to sell cannot be due to any deficiency in quality. In fashion and semi-fashion lines, on the other hand, and in lines where individual taste is decisive, the picture is less satisfactory. In men's wear, women's wear and children's clothes, few co-operative stores can offer the quality of goods at the price offered by some private chains of specialist shops and variety bazars. The goods may no doubt be durable, but they are not always stylish or smart enough to appeal to the younger generation. This is due to a failure in merchandising policy. In so far as a variety of choice offered to the customer is concerned, it may be pointed out that co-operatives are still stocking too narrow and old-fashioned a range of goods and are thus unable in food as well as in dry goods to satisfy the high and more varied expectations of the consumers. The movement, it must be remembered, is no longer catering to the needs of a working class which is barely above the subsistence level, but consumers whose tastes are changing fast, and they now demand a variety of cheese, continental viands, wines and spirits, gramophone records, television sets, high-fashion textiles, high class furniture and the like. The societies are advised to adjust themselves to meet these demands.

The subjoined table indicates proportion of goods sold by co-operative retail societies coming from different sources.

Commodity Group. %	Societies' own production. %	Federal Societies. %	* Wholesale societies. %	Productive Societies. %	Other Sources. %	All Sources. %
(1) Milk, meat, bread, fruit & vegetables	14.00	9.5	41.5	..	25.00	100
(2) Groceries, household stores & processed goods	0.00	0.00	74.5	..	25.5	100
(3) Non-food goods	1.00	0.00	49.0	4.00	46.0	100
(4) Coal	0.00	0.00	68.0	00.0	2.0	100
(5) Total goods	4.5	3.00	61.0	1.00	30.5	100

Note—1. Figures taken from Table No. 9 of *Co-operative Independent Commission Report*, p. 13

* 2. This includes goods invoiced through the wholesale societies. Such goods account for between 25 to 33 per cent. of the total. It does not however, include raw materials, supplied by the wholesale societies, retail societies and federal societies for use in their own productions, e. g., flour.

Lastly, as regards grant of credit, it may be stated that co-operatives are lagging well behind their competitors in extending hire-purchase credit on furniture and household durables. The movement has only 7% of national trade in furniture and household durables. If we compare the co-operative performance with that of the larger competitors, the contrast becomes more glaring. The outstanding hire-purchase debt of the larger-multiple shop competitors in 1956 was £ 49·9 million, as against hire-purchase and club debt of the co-operatives at £ 15·7 million, It may be noted that in the British co-operative movement purchases on credit or credit trading is not encouraged but the prevalence of the habit of credit-buying has made it difficult for societies to keep to cash-rading only. One estimate made in 1935 puts that the average ndebtedness of members to their societies for credit purchases

was 17 shillings per head. Credit on open accounts crept in certain districts at an early date, though in the initial stages it was frowned upon by the pioneers. Articles of furniture are commonly sold under hire-purchase agreement, which do not materially differ from those used by non-co-operative traders. Better conditions of the working classes have tended to stimulate 'club trading' which is utilized mainly for the purchase of articles other than necessaries. It is of particular importance in the clothing department. There are two forms of club trading, viz. the Draw Club and the Mutuality Club. The procedure followed is roughly as follows. The Draw Club lasts for a fixed period, say, for 20 weeks. For each £ of purchases members pay 1 shilling per week. Each week the names of one-twentieth of the members participating are drawn and they are allowed to make their purchases at once. Weekly payments are made through the branches of a society and no collectors need be engaged. The money drawn out of the club is always equal to the money put in and the cost of operations is very small. The name of a mutuality club is used to describe a form of systematized credit. Under the system a member desirous of trading applies for registration of his name with the society and agrees to pay X shilling per week for 20 weeks. After his application has been accepted and at least three weekly payments as agreed to be paid are made the member receives "vouchers" to the value of Y £, which may be used as cash to make purchases in certain of the society's departments. The limit of credit purchases is fixed by the society usually at about £ 5 which has also relation to the shareholding of the member. The weekly payments are received in part at the branches, but more usually they are collected through the club collectors who are normally paid a commission of 5% on monies collected. Thus it will be noticed that the cost of operation of a mutuality club is more than that of the draw club. These club collectors are drawn from the membership of the society and are keen co-operators who widely canvass for club trade, obtain hire-purchase orders and bring in new members. The cost of operation is met out of the retail margin. Bad debts are reported to be very low, about 1/10.d. in the £. There has been of late a relative increase in the importance of organized credit.

The following statement indicates the gross amount owing for goods and for hire-purchases and clubs at the end of 1955.

 COOP16

(A)	Sections	Debtors for goods £	Hire Purchase and Clubs £
1.	Irish	3,02,273	1,86,138
2.	Midland	15,34,856	32,09,251
3.	Northern	9,48,363	20,40,570
4	North-Eastern	11,39,222	15,73,234
5.	North-Western	10,53,030	24,22,572
6.	Scottish	17,48,721	26,78,979
7.	Southern	14,65,257	54,57,579
8.	South-Western	4,99,340	8,02,339
9.	Western	6,06,205	11,37,632
	Total £	92,97,267	1,95,08,294

Conclusion :—To sum up, the four main weaknesses of the retail side of the movement mentioned by the Commission are (1) an inadequate total number of outlets in dry goods, (2) an unsatisfactory distribution in dry goods, (3) a variable standard of shops and (4) certain faults in regard to the range and quality of the goods sold. In order that these comments may not be misunderstood, the Commission repeats two of their underlined assumptions : (1) The Commission emphasises that these are weaknesses judged by an elevated standard. They have been mentioned as such in the context of further expansion of its share of trade. In relation to this objective, this weakness must be taken seriously and corrected at a much faster rate than is now occurring. (2) Secondly what is described previously as a national or overall picture does not apply to all societies alike, as there are many individual societies that have largely removed these defects. But these societies do not represent the 'norm' of the movement. The typical retail society does not yet come up to the expected standard and it is to this society that the recommendations of the Commission are primarily addressed. The stagnation of the retail trade of the co-operative movement is, in the opinion of the Commission, attributable to one or the other or a combination of the following factors, viz. defective management, irrational structure of a retail society, absence of techincal assistance and deficiency of capital. These will be discussed in turn in the following paragraphs.

The Case for National Chains :—In the important sectors of dry goods trade the local society, according to the Commission, does not constitute by itself an economic trading unit. The continued failure of the co-operative movement to capture the same proportion of the national dry goods trade unlike in the case of the national food trade is due to the fact that the economics of a multiple scale of operations are more marked in dry goods than in food trades and the local societies would not be able to achieve them. These economies, in the opinion of the Commission, are more conspicuous on the buying side. Large bulked orders make possible a significant reduction in costs to both the retailer and the manufacturer, and they also bring about secondary economies in respect of warehousing, stock-holding and transport. In many dry goods trades successful buying requires a high degree of specialized skill and this will not be available unless the turnover is large enough to employ highly qualified specialist buyers for each major section of the trade. Similarly, there are economies on the selling side also. A large organization through the employment of specialist personnel can enforce the uniform standard of window display, layout, shop-fittings and presentation. The fact that the multiple organizations have made most rapid progress in dry goods emphasises the importance of these economies. Between 1935-55 the multiples increased, according to the Commission, their share of trade from 14 to 17 per cent. in food and household goods but in women's and children's wear from 10 to 26% and in men's and boys' wear from 21 to 31 % and in footwear from 41 to 50 % and in household durables from 14 to 21%. In chemists' goods the percentage rose from 30 to 38. As a contrast the co-operatives' share in these trades has scarcely moved and this contrast is due to the disparity in the scale of operations. A retail society with 100 grocery shops will seldom have even 10 footwear of men's clothing or furniture outlets. This cannot afford the economies of multiple operation. The relatively small scale of the movement's dry goods retailing is evident from the comparison with the number of specialist shops owned by the multiples operating 10 or more branches in the drapery, footwear, men's wear, furniture and chemists' goods trades. There are three societies only that operate a chain of more than 25 shops and only 71 that operatea chain of more than 10 shops. In contrast with this record there are over 11000 multiple shops in the above trades run by organizatoins

with over 50 branches, and there are 15000 multiple shops operated by organizations with over 25 branches, the corresponding co-operative figure being a meagre 205. This contrast is still more marked, says the Report of the Independent Commission, if we include the co-operative societies with fewer than 10 branches, in any of the above trades. The Commission gives the following statistics :—

In 1955,

(1) In drapery, there were 757 societies operating 1712 shops or an average of 2 to 3 per society.

(2) In footwear, there were 447 societies operating 764 shops or an average of 1 to 2 per society.

(3) In men's wear, there were 339 societies operating 557 shops or an average of 1 to 2 per society.

(4) In furnishings and hardware there were 542 societies operating 1037 shops or an average of 2 per society.

(5) In chemists' goods, there were 349 societies operating 761 shops or an average of 2 per society.

It is apparent from the above figures that the gap in the average scale is too wide to be closed by the expansion of individual local societies. Even if the number of societies were reduced to 200-300, as suggested by the Commission, the dry goods turnover of the vast majority will not support a chain of 50 or 100 shops in individual trades. Chains of this size would, in the opinion of the Commision, require at least a national or regional market to support. No local society except perhaps a metropolitan one can ever attain to such a market with the existing boundaries. Any co-operative chain of more than 20 shops would require a national or regional chain not restricted to a single society's area. There is also another consideration which has influenced the recommendation of the Commission in favour of a national chain. Although a majority of large and medium-sized societies have sufficient capital to finance, the requistie expansion in food and groceries, their attempts to reach the requisite number of dry goods outlets would severely strain their financial resources, and this is already in evidence in a number of towns in the case of those medium-sized societies that are bravely attempting to develop their dry goods trade. If national organizations existed, this responsibility of developing dry goods would devolve on them and the much-needed capital and managerial ability would

be released for expansion in other directions. Thus the Commission favours the creation of nationalist-specialist bodies to develop particular sections of the dry goods trade, and lays down the following criteria to determine the first selections. First, the trade should be one in which the co-operative share of national sales is conspicuously less than the co-operative share of a retail trade as a whole. Secondly, it should be one in which multiple organization is an essential condition of success. Thirdly, it should be one in which clear advantages would accrue from the establishment of close links between retailer, wholesaler and producer. Fourthly, the trade should not constitute so large a part of retail societies' turn-over that the operation of a national chain would destroy the basis of a local society's profitability.

The third criterion would also be relevant to the flour, bread and confectionery trade. In the development of federal bakeries the Commission recommends that the movement should aim at a maximum degree of common policy-making commencing from milling to bread-delivery. The criteria are, however, mainly applicable to the dry goods field, though they do not apply universally even here. They are strongest in the footwear, clothing and chemists' trades. In footwear, the co-operative share of national trade has fallen during the last six years from 9% to 7½%. In men's clothing, the co-operative share is only 6% of the national trade. The movement has signally failed in women's fashions. It handles only 8% in chemists' goods. In all these trades, the advantages of the multiple organizations are obvious. Lastly there are many societies whose share of these trades is so insignificant that their financial resources would not in the least be affected by the operations of a national co-operative chain. This chain would develop entirely new co-operative trade and not merely attract existing trade from local societies. It is in these trades, therefore, that the first experiments should be carried out mainly in the form of specialist shops. The Commission next considers, in broad outline, how a national organization might acquire a chain of footwear shops. A number of societies in important shopping centres might be willing to surrender their dry goods outlets either because they wish to release their own resources and energy for development elswhere or they believe that through national operation the interest of the co-operative movement as a whole would be better served. If the new chain proposed

demonstrates a clear superiority in respect of price, quality, layout and presentation, the shops will be on an adequate scale, according to the Commission. This will of course, depend on the financial arrangements to be made between the chain and the local society. The pattern to be adopted might be one which operates already in the case of national co-operative chemists, or the chain might pay the local society in addition to a rent for the shop a discount on all trade equal to the current rate of dividend. But more important than the transfer of existing shops is the estabilshment of new ones, as the object is to increase the number of co-operative dry goods outlets. The Commission mentions that there are two possibilities in this respect : on the one hand, the chain might be given complete freedom to open shops wherever it wished, with or without the consent of the local society. On the other hand, the local society could be given the veto over the decision to open a new shop in its area. Both these alternatives are negatived by the Commission which suggests the following procedure :

In the first place, the national chain will announce its decision to open a new shop in the area of a loca.l society. If the latter consents to the proposal, a financial arrangement will be made on the lines indicated above. If if objects, it shall have a right of appeal to the new retail development society which is recommended to be established by the Commission and on which all sections of the movement will be represented. The grounds of appeal would be the following, according to the Commission :—

(1) There is no further scope in the area for expansion in the commodity in question as the local society has already exploited the full co-operative potential.

(2) The chain would take away the trade of the local society.

If the national chain is not able to refute this, the appeal would be upheld. If, however, the chain shows that new co-operative trade could be won and that similar societies are having a higher proportion of local trade, the appeal would be rejected. If the chains accomplish what the local society has failed to do, the Commission does not see that there is any room for complaint. In the opinion of the Commission, the machinery of appeal would not be much needed, as many societies have encouraged national federations to establish specialist shops in their area of

operations, as could be seen in the case of National Co-operative Chemists. If the chains can convince the movement that they have drive, efficiency and enterprise, they will not languish for lack of outlets. The only circumstance, in the opinion of the Commission, that would destroy the experiment would be, if societies obdurately refused to accept any scheme which breached their own monopoly of local trade, though the interests of their members and total co-operative turn-over stood to benefit. The Commision hopes that the local societies will not sacrifice both the ideals of the movement and its trading progress by their irrational action proceeding from local prejudice. The Commission does not, however, propose to discuss what detailed trading and organizational policies the chains should pursue after establishment. But it recommends in one case that it is desirable to integrate the chain into a single organization including the co-operative factories producing that commodity. The Commission next goes on to consider the control and supply of capital to the new organization. It suggests that two groups should be represented on their policy-making board : (1) Those societies that have handed over shops or co-operated in the establishment of new shops in their area. (2) Secondly, central retail development body—the Retail Co-operative Development Society—functions of which are described in the next paragraph, and which is recommended to be established by the Commission. The Commission recommends that in each case, a national federal body should be established and these two groups should each take up 50% of the voting shares and appoint one-half of the directors. In the case of participating retail societies, it should be seen that a simple system of electing directors should be devised. The Board of Directors, the Commission suggests, should be part-time, meeting either monthly or quarterly. Its duties would be to appoint a full-time Chief Executive Officer to take major policy decisions and to scrutinize regular reports from the full-time officers. The Chief Executive Officer should be preferably, though not necessarily, chosen from the retail societies, since this is a retail operation. The Commission envisages that the initial capital would come mostly from loans and mortgages, obtained from the National Federations and not from the voting shares, the amount of which would be nominal in value, and the Commission considers also that the capital requirements would be less,

as the majority of shops would be rented. The Commission is further of the opinion that the capital requirements should neither fall on the shoulders of participating societies, as the latter would need such capital for other developments of their own, nor on the retail societies as a whole, in the form of loans, as it is undesirable that a number of separate chains should compete amongst themselves for retail capital. In view of the urgency of the proposals, the Commission recommends that the Congress resolution establishing the new co-operative retail development society should also authorize it at the same time to plan the creation of a national co-operative footwear chain as the first in order of priority in a series of chains. The Commission has selected footwear first, because it satisfies the criteria laid down by it, but it also apprehends that unless the movement acts quickly, it would stand to lose the sites and the markets irrevocably to its competitors.

A Co-operative Retail Development Society :—In the opinion of the Commission, the reforms suggested in the two previous paragraphs would give the retail movement an efficient and retail trading structure in so far as the scale of operation is concerned. But these are respects, according to the Commission, in which local action requires to be supplemented by action from the Centre. For this purpose a new Central Retail Institution under the title of the Co-operative Retail Development Society is needed in order to secure leadership and co-ordination that can come only from a national body.

Need for Central Advisory Services :—A feature of the British Co-operative Consumers' movement is the extreme variation in efficiency and performance between local societies. Not only could the 'problem societies' in financial difficulties be thought of in this respect, but also the reasonably healthy but not outstanding societies whose standard of efficiency requires to be improved. In other words, the average standard of co-operative performance could be raised to the high level attained by the best societies. There is much less excuse, according to the Commission, for large variations in the efficiency or standard of shops in the co-operative movement than in the multiple shop organizations, as the movement possesses a large reservoir of expert knowledge on account of its size and long experience, and it is best qualified to dessiminate this expert knowledge

amongst its constituent parts. But the movement requires, consisting as it does of so many separate units, (though associated units in a voluntary movement), a Central Body to act as the repository of knowledge and as the source of advice and information. It must act on its own and tender proper advice as the affairs of a society are not of concern only to its members, and the word 'co-operative' is a national word. The Central Body has not only a right but a duty to concern itself with the affairs of any society, though sometime it may be criticised on the ground of interference. The Boards of Directors are at present handicapped in appraising the competence of their officers by the absence of detailed and uptodate yardsticks by which to judge, with the result that officers are at present unduly immune from searching criticism. A central source of expert advice and provision of clear yardsticks are necessary if the Boards are to fulfil the role assigned to them and to exercise real control over their staff. The Commission is of course aware that the existing national bodies show concern and offer advice in various ways. The Co-operative Unions' Research and Statistical Department regularly reviews societies' reports and balance sheets and tenders advice. The Financial Department and the Research Department are also available on request to visit societies and investigate their affairs, and make recommendations as to future policy. The Trade Associations also offer technical advice in milk, bakery and the coal and a rationalization of co-operative facilities has been brought about through their pressure. There is also a succession of mutual visits between societies. The wholesale societies also offer a variety of retail services. These include architects, engineering and building and shop-fitting departments etc. Yet the Commission has found gap in these services, examples of which are quoted. The Commission mentions, e. g., self-service. The co-operative movement was foremost in pioneering self-service with the help from the Central Body and from the exchange of information between societies. Still, however, there is urgent need for central research and exchange of experience. Yet it was left to the private initiative of a few officers to set up the self-service group. There is no Central Body, in the opinion of the Commission, to advise on stock control, stock assortment, shop layout, shop fittings, window-dressing, or the location of new shops. This deficiency is especially serious in the dry goods trade where co-operative

performance is weak and few individual societies have the requisite experience, e. g., officers and members of Managing Committee of societies engaged in building, remodelling large departmental stores, could find no guidance in Manchester and had, therefore, to undertake lengthy tours of other co-operative or continental stores to discover the most suitable layout and type of fixture. This is because no Central Co-operative has records with photographs, plans and models of layout and fixtures.

Again in the opinion of the Commission, there is no single body to which a society can look to for advice or its future programme of capital development. There is no continuing advice or exchange of information on financial policy. Too little advice and information are available on labour and personnel questions. On some of these matters periodic *ad hoe* committees are appointed, informal contacts are established at conferences, but systematic centralization of the movement's vast experience in one recognized place where it can be utilised by any society at will is lacking. Even the services now provided are deficient in quality, e.g., the resources available to the Union are, in the opinion of the Committee, inadequate each year, even for a very small number of detailed investigations of the offices of individual societies. The Trade Associations have only limited full-time staff and they rely on the services of overworked retail officials. Even some of the departments of the Wholssale Societies are overstretched as there is no clear cut division of responsibilities between the Union and the Wholesales. In the opinion of the Commission, the following central services should be available to retail societies. (1) The co-operative union should be responsible for the following service departments :—

(1) Legal. (2) Labour to be enlarged to carry out additional functions. (3) Employment Advisory Service. (4) Finance Advisory Department (the present Finance Department). (5) Research and Statistical.

There should be attached to the Research Department a small section charged with the task of carrying out the national amalgamation survey. These services are either non-trading or are managerial common services specifically designed to aid Boards of Directors. But it is in respect of operational common services, that is to say, technical services designed to assist societies in tackling particular problems (such as planning a new stores, intro-

duction of a new stock control system, reform of the management structure and so on) that the most pronounced deficiencies occur and here the far-reaching innovations are called for, according to the Commission. In the opinion of the Commission, these operational services fall into two groups and should be under the control of a new body called the Retail Development Society. First, the existing trade associations should be transferred to the new body as a nucleus of a department specializing in selling and selling technique research. This Department should deal with matters like self-service, self-selection, specialist shops, shop-layout, fixtures and fittings, display, advertising, stock control, stock assortment, mechanical handling, and so on. It would, in the opinion of the Commission, keep abreast of the latest developments both in Britain and abroad, organize study groups, provide direct assistance and advice to societies requiring it and arrange for a systematic programme of mutual exchanges whereby specialist officers of the society could spend some time working and training in another society. As regards staff, the participation of retail society officials should continue on a part-time basis, in the view of the Commission, but the number of full-time technical experts should need to be increased greatly. For example, there should be ten full-time dry goods experts for different aspects of the trade instead of only one as at present. Secondly, the retail development society should, in the opinion of the Committee, create an organization and methods department staffed by full-time experts. This staff should be responsible for advice and information on work study, operations research, efficiency audits, office organization, accoutancy methods, the use of computers and so on. This would constitute a full-fledged business consultancy and efficiency audit service. The Commission envisages service that should be available to any society which feels that its management structure and organization might be improved by expert guidance, i. e. when a separate department is recommended for being created with a full-time staff possessing expert trading and business as well as finance and accounting knowledge. Lastly the wholesale societies would of course continue to operate, in the opinion of the Commission, their existing Central Service Departments which provide a commercial service to retail societies as well as to their own organizations, building, engineering, architects, shop-fitting, advertising and market-research (in the future). The Commission

recommends that the C. W. S. and the S. C. W. S. should establish a joint Market Research Department. The Department should have, according to the Commission, two functions : (1) It would provide the existing market research service for the producing and wholesaling organization. Secondly, it would provide, on a fee-paying basis, retail market research, to the Union, retail societies and the development societies. The Commission recommends that wholesale societies should treat the Market Research Department as being a common service to the whole movement and allow it to be freely availed of, by the Union and the Development Society. The Commission is well aware that the development of the new operational services will raise problems of administration, recruitment of staff and finance, but the real problem will be recruitment of personnel, and according to the Commission, the Development Society will need to draw freely on the retail and wholesale societies, but also on private organizations, the object being to attract highest degree o skill and experience. The level of salaries also should be reasonably high. The Commission is, however, conscious that there will be opposition to the proposals on the ground that it is unnecessary to provide costly services when the societies refuse to avail themselves of the existing offer of advice. The Commission replies to this objection by saying that they are concerned with a great majority of societies whose efficiency could be improved by expert guidance and help and not with problem societies. The Commission feels no doubt that a large unsatisfied demand amongst such societies exists and will come to light when Central services are provided. A new initiative by the centre will, in the opinion of the Commission, encourage large societies to build up their own Research Departments and to work in closer co-ordination with Central services. The co-operative movement would then, in the opinion of the Commission exploit its ability first to centralize and then to dessiminate the most upto date technical and managerial knowledge, with no loss either in local autonomy or democratic control but with a significant gain in efficiency.

Capital Development :—The common services to be centrally provided by the proposed retail development society are expected to improve the level of common efficiency in the day-to-day trading operations but in regard to capital development also the Commission considers that there is need for assistance from the Centre. The

Commission has found that there are some medium-sized societies wishing to embark on a programme of development of dry goods trade, but which have felt hampered by lack of capital or of technical advice or encouragement. There is no single recognized source from which they can obtain the requisite capital. The sources at present are :

(1) The Wholesale Bank for an overdraft;
(2) C.W.S. Finance Committee for a trade loan;
(3) C.I.S. for a mortgage;
(4) Co-operative Building Society for long-term credit on security of mortgages, and
(5) The neighbouring co-operative society for a loan.

As a last resort, they can join also the co-operative retail services (C. R. S.). Though ultimately finance will be fort coming the societies tend to flounder uncertainly amongst them not knowing which to approach, for what sort of help, wasting their precious time. Thus the Commission feels that for accelerating detailed development it is better that societies should have one normal routine method of approach for getting outside capital. If there were a single responsible body, delays would of course be reduced, both on the side of the lender as well as the borrower. Some delay is occasionally noticed at present in the case of the C. W. S. in coming to a definite decision. The reason for the delay in the opinion of the Commission, is that those responsible are exceedingly busy men charged with innumerable responsibilities in other spheres, and if the examination of projects and decisions thereon should be the responsibility of specialist staff, the prolonged discussions now taking place might be speeded up. The staff would also have a positive responsibility for scrutiny of development plans and making detailed recommendations to societies concerned. Medium-sized societies in main shopping centres, with only limited experience of dry-goods development, would like to get their plans examined to see if they are well-thought out and justified by market conditions. For, such societies should have also access to the new retail development society proposed to be established. The latter need not hold capital itself. On being approached by a retail society in need of capital, it should examine the society's plan of development carefully and press such amendments to the plan as may be necessary and finally decide which of the movement's leading bodies is the appropriate one to approach and forward the so-

ciety's request to that body for the sanction of the requisite sum. As the lending bodies themselves will have representation on the retail development society, the proposals for a loan recommended by the retail society are likely to be sanctioned more speedily. Thus through such proposals the movement would exert more central influence on societies' separate development plans.

The Need for Forward Planning :—It is common knowledge that rapid changes are occurring and will take place in the pattern of consumers' expenditure. For example, the amount spent in Britain on entertainment, private motoring, holidays and books, newspapers and magazines is very nearly equal to the amount spent in the traditional dry goods, fields of clothing, footwear and consumers' durables. The movement neglects this huge amount entirely at present. Some societies run garages, motor coach service, travel agencies, lending libraries and the wholesales have entered on a small scale into hotel and travel agency business. But when compared with national expenditure in these fields, the co-operative effort is trivial. The question that arises in these circumstances is, whose responsibility is it to think and plan ahead for the next stage of this development, and the Commission replies by saying that it is the Central Body that is technically equipped to keep such developments under review, that should undertake the task and that is why the Commission recommends that the proposed Co-operative Retail Development Society should include an Economic Planning Division, which should be responsible generally for advice on future developments in the retail trade. Such a Division should give technical advice on the trades in which and the order in which National Co-operative Chains may be established.

Co-operative Retail Development Society :—The Co-operative Retail Development Society will, in the opinion of the Commission, fill a long-felt need for a national body representative of all sections of the movement and which accepts the responsibility for providing advice and initiating new ventures in the retail field. Retail Societies should look to this Society for leadership and advice on all aspects of retail trading just as they look to the Co-operative Union for leadership in non-trading matters and to the Wholesale Societies for production and wholesaling. The functions as set out for this Body by the Commission are :—

(1) It would create and manage the operational common

services, as already mentioned, and, with this object in view, it will take over the existing trade associations.

(2) It would act as the channel of approach and source of advice for societies needing new capital for development. The National Federations, if they are approached direct by any Retail Society, should automatically consult this Body before taking decision.

(3) It would create an Economic Planning Division to study trends, both at home and abroad, in consumer expenditure and retail organization and to advise the movement on how to plan ahead for each next stage of retail development.

(4) It would decide in which trades national chains or specialist outlets might be needed and to set them up, i.e., to appoint the first Board of Directors, to advise on the appointment of the Chief Executive Officer and assist with the provision of headquarters when several chains are established, and to co-ordinate their policies through its own representatives on the Board of Directors of each of the Federations.

(5) It would assume responsibility for the existing national organizations in the retail field such as C. R. S. (Co-operative Retail Service) and National Co-operative Chemists. The constitution of these Bodies should be properly amended so as to conform to the constitution suggested by the Commission for national chemists.

Capital Requirements :—The Retail Development Society will not itself need any capital, and it is anticipated that the Society would exercise a growing influence on how the co-operative movement spends that part of co-operative capital that is allotted to retail development. The Co-operative Union and the two Wholesale Societies should hold the nominal voting shares in the proportion of 50 : 50. The Wholesale Societies and the Co-operative Union should also assume, according to the Commission, joint responsibility for running the development society, because the Union acting alone would not be the proper controlling agency nor can the wholesales which command resources but are not primarily experts in retailing, assume responsibility for running it. They should choose a part-time Supervisory Council to consist of elected persons in the porportion of 50 : 50 by the Union Central Executive and by the Supervising Councils of the two Wholesale Societies. The Commission also proposes that the Managing Board of the

retail society should have on it a number of part-time members who would attend monthly formal meetings at which major decisions are taken. These part-time executives would be drawn from the permanent officials of other co-operative organizations in order to ensure effective liaison and co-ordination and to give the Development Society the benefit of outside experience. The composition suggested by the Commission is as under :—

(1) They should include six retail societies' officers.

(2) Three members of the proposed Board of the C. W. S. (One should be Finance Officer), and two members of the Management Board of the S. C. W. S. (one of whom should be the Finance Officer).

(3) The General Manager of the C. I. S. (Co-operative Insuarance Society).

The Retail Development Society will have to work in close liaison with the production and wholesaling organizations, as co-ordination would be required on numerous policy questions and the Development Society will have to rely, for its capital, on financial institutions controlled by the Wholesale Societies, the Banking Departments, the new Investment Divisions and the C. I. S. The Managing Boards of the Wholesales will determine the allocation of the movement's capital which is centrally mobilized and the Development Society must, according to the Commission, participate in all discussions relating to this allocation in order that the requirements of the retail development may be taken fully into account.

At the elected level, in the opinion of the Commission, liaison is ensured between the supervisory Council of the Development Society and the two Wholesale Societies. On the managerial level, the Commission proposes that the Chief Executive Officer of the Development Society should be an ex-officio member of the Managing Board of the C. W. S. and his Deputy (having special responsibility for Scottish affairs) should be an ex-officio member of the Board of Management of the S. C. W. S. Both the wholesale societies would establish a small retail liaison division to service their representatives on the Development Society. These arrangements, in the opinion of the Commission, should ensure adequate co-ordination between production, wholesaling and retailing agencies.

Income of the Retail Development Society :—The Development Society's current income will come from two sources: (1) It

may charge a commercial fee for the number of common services provided by it and (2) it will need a regular current income from the sponsoring shareholders—the two Wholesale Societies, and the Co-operative Union. As regards the two Wholesale Socities, no difficulty need be anticipated but the Co-operative Union has got no large funds of its own. Of course, it will save something by transfer to the R.D.S. of the Trade Associations. Even then it would be hard for the Union to provide 50% of the working budget of the Development Society out of its annual income, and the Commission, therefore, recommends that the Central Executive of the Union should propose a substantial increase in retail societies' subscriptions, as the amount of such subscription at present forms only 0·0214% of retail sales. This rate must, in the opinion of the Commission, be substantially higher as it is the retail societies only that would stand to reap the benefit and it is right that they should defray the cost as they can afford to do so.

16. Prices and Dividend Policy pursued by Retail Societies :—The societies in the newly developing areas had during the period between the two World Wars, different sales and price policies from those of many of the societies in Scotland and Northern England, which were largely used by the wives of the better paid manual workers who looked on the dividend as a means of savings and were, therefore, prepared to pay slightly more than the market prices for the sake of a substantial dividend at the end of a quarter or half year. The Southern and South-Western Societies and the Midland Societies tended to keep their prices competitive and their dividends less. In 1912 the average dividend in Scotland was 3 shillings 2d. in the £ compared with 1 shilling 7¼ d. in Southern England. By 1939 dividend rates had been reduced in all regions but particularly in Scotland and the North of England. Since then a number of factors, particularly price controls, and heavy indirect taxes, have contributed to reduce the rates still further and made it difficult to pay dividends at all on some types of articles, e.g., tobacco and cigarettes. In order to intensify their sales promotion, retail societies have begun during recent years to use local advertisements on a scale comparable with private traders, while the National Societies are using national advertisement. Loyalty of customers is nowadays being fostered by a system called 'National Membership' under which a member of one society is enabled to draw dividend on purchases made at another. It

is common for the permanent officials and the General Manager to fix the prices. In the larger societies the departmental managers themselves fix the prices. No control is exercised by the managing committee over the fixation of prices. No uniform policy is also followed in regard to keeping a uniform price level. In areas where there is keen competition, retail societies have to keep their prices in line with the prices charged by the better class of independent stores in the towns. The policy followed by retail societies in the matter of fixation of prices is " to let the dividend take care of itself. " This usually implies that the prices charged should be market prices and the dividend on purchases should flow from the normal trading profits of a society.

Payment of Dividend on Purchases :—What distinguishes a co-operative store from a private trader is the payment of dividend on purchases. In great Britain it not only represents economies of co-operative distribution but also of co-operative production. Payment of dividend naturally comes from out of surplus after all expenses, capital charges and provision for reserves are met. This surplus is earned not only on trading activities but on investments as well. The amount of surplus left after meeting all expenses but not excluding share interest was £ 58,603,823 at the end of 1955. The share interest amounted to £ 6,502,581 in 1955 thus bringing the net surplus to £ 52,101,342. It is the dividend packet to the housewife that has been a major attraction of the co-operative shop, rather than any recognition of the value of co-operative principles or ideology. In 1939, the average rate of dividend for the whole of Britain was 1 shilling 5½ d. in the £, but it had fallen to 1 shilling 3¼ d. in 1950. The sub-joined table indicates the average rate of dividend for a period of four years ending with 1955.

Year.		Average rate of dividend.
1951	...	1 s. 2¼d.
1952	...	1 s. 0¼d.
1953	...	1 s. 00d.
1954	...	1 s. 0¼d.
1955	...	1 s. 0¼d.

This continuous decline in the average rate of dividend is attributable to the narrow gross margins of the grocery and provisions trade which forms a large proportion of co-operative trade.

According to the census of distribution, the gross margin in groceries alone for all types of traders averaged about 15·3% on sales. From this margin wages and all distributive expenses are required to be met. The Post-War spurt in prices of groceries and provisions did not bring in a proportionate increase in trade margins. In 1939, the total net surplus averaged 9·85% on retail sales which fell to 5·74% in 1953. At the end of 1955 it came round to 5·69%. Though there is an increase in trade through an increase in prices, the surplus is on the downward trend as the margin practically remains constant. That position explains how there has been a gradual decline in the average rate of dividend paid over a period of years. The following statement gives the rate of dividend paid by various sections at the end of 1955 :

(1) Irish	...	1 s. 0¼d.
(2) Midland	...	1 s. 0½d.
(3) Northern	...	1 s. 5½d.
(4) North-Eastern	...	1 s. 0¼d.
(5) North-Western	...	0 s. 10½d.
(6) Scottish	...	0 s. 9¾d.
(7) South-Western	...	0 s. 8½d.
(8) Western	...	1 s. 0d.
(9) Southern	...	0 s. 9¾d.

According to the Co-operative Independent Commission's Report, the co-operative precept to sell at market prices and let the dividend take care of itself was not in the past a wholly practical advice partly because in certain areas the co-operative society itself being the dominant trader, set the market price and partly because retailing being an imperfect market, there was in many cases no single market price but a considerable range of prices. Logically the correct price policy while considering the relation of price and dividend to be followed by the co-operatives would be that which brings the greatest possible gain to co-operative members. But this scale may come from co-operative trading in one of two ways-by lower prices or by the fact of dividend. In a private concern no such ambiguity exists. The shareholders would want that price policy which gives them the largest dividend income, while the consumers of the product on the other hand, will want the lower level of prices, irrespective of the fact whether the dividend be high or low. But in a co-operative society, the peculiar position is that

members are both shareholders and consumes and as such, they want both lower prices and higher dividend on their equity capital. In actual practice the choice between price and dividend is getting rather limited. Retail prices tend to be more uniform and competitive at present, than in the past, and the range in the price variation open to a retailer is reduced. The practice of resale price maintenance deprives the retailer of any control over price. The vigorous competition of multiple shops which rely on the low margin and rapid turnover has tended to force down average margins and prices. Finally, there are at present fewer areas where the co-operative society dominates the local market and sets the market price. Granting that prices are uniform and competitive, a co-operative society might like to charge above the competitive level openly in order to pay a higher dividend on purchases, and co-operative members knowing full well that competitors were charging less may be willing to pay higher prices even on branded goods as they might prefer dividend to competitive prices. But the present-day consumers would be less prepared to do so than in the past, because price consciousness has become greater and retail competition fiercer than in the past and there is a general reluctance to pay anything more than the ruling price or competitive price even to obtain the benefits of dividend. Probably most consumers today may not choose a dividend if it is offset by a higher price. They would go in for a competitive price and lower dividend. And to this extent, therefore, price is considered to be more important than dividend. This is not to say, of course, that dividend has already ceased to be altogether attractive. Its attraction varies between different goods, in the opinion of the Commission, being greater in the case of standardized goods than in the case of fashion goods, but it still remains a strong positive inducement to trade with a co-operative, provided it is a discount on competitive price. Members also derive more satisfaction at having received somethihg in lump at the end of the dividend period, than small decrease in prices in their day-to-day purchases. As shopping is mainly in the hands of the housewives in Britain, the dividend represents the saving of the housewife, who will thus have a direct incentive to make purchases in the co-operative stores, with a view to running her household more economically. Consumers sometimes mistrust a lower price as a sign of lower quality, and that is why price cutting is sometimes ineffective in expanding sales. The consumer will

relish the competitive price and lower dividend and that is the typical attitude of the co-operative member today. If the prices are competitive, then the dividend exactly measures the differential financial benefits from trading with a co-operative. In interpreting the market price, co-operatives, in the opinion of the Commission, should bear in mind the prices charged by the most successful multiples in each line and in each area. As a principle, the co-operative movement should see to it that it is never undersold by any of its national competitors. The prices charged must be those charged by the most powerful competitors in each field. Assuming the continuance of a correct price policy, the question to answer is : What level of dividend should the retail society aim at? The Commission replies to this by saying that the answer would depend upon what reserve policy is followed and on the relation between dividend and trade. In considering the principle of dividend on purchases, the first question that comes to one's mind is : Whether the flat rate of dividend which the movement pays at present should be continued or differential rates on different commodity groups dependent on net return on sales should be more desirable. In the opinion of the Independent Commission, it is not logical to pay a uniform rate of dividend when net return on sales differs markedly between different commodities, though the movement has favoured so far a uniform dividend on purchases. Suppose that the net return on sales of *x* commodity is 0-0-6 d. per £ and on *y* commodity it is 0-1-6 d. per £, and if the dividend is 1 shilling in the £, then obviously the customers who are relatively purchasing more of the *y* commodity are subsidizing those who are relatively purchasing less of the *x* commodity. Of course, some element of subsidy does enter if the dividend is not to vary with each individual commodity. A consequence of a flat rate of dividend is that if a particular line is not earning its dividend equivalent to flat rate, there is naturally a disinclination to push the sale of that commodity, although it shows some profit, thus adding to the surplus available for distribution. For example, the delivery of bread which is a national co-operative service yielding a return less than the current rate of dividend may not be undertaken purely from a business point of view but will still have to be undertaken for other reasons as, for example, to acquire the goodwill of customers or to provide a complete co-operative service or to sustain a federal bakery or to keep the wholesale flour

mills going. If the financial disincentive predominates, a society may be unwilling to undertake the service as mentioned by the Commission. The difficulty would, in the opinion of the Independent Commission, disappear if the flat rate of dividend were to be replaced by two-tiered dividend, that is to say, commodities would be grouped into two or three broad categories according to net return on sales and the different rate of dividend paid on each category. If such a system were adopted, being more logical than the present one, it would remove a barrier to useful but low margin business. But the curious thing to note is that the Commission does not recommend it on the ground that it would offend the egalitarian principle, as some members would be better off and some worse off and it would raise social issues not within the terms of reference to the Commission. This may be regarded as a case where the Commission has stopped short of the logical conclusion of its own recommendation. We now turn to the dividend and reserve policy followed by co-operative retail consumers' movement. Reserve policy affecting as it does thecapital position of the movement isof crucial importance to the co-operative trade. It is a happy augury that it is now increasingly recognized in the movement that co-operative trade does not depend on price and dividend only but also in a great measure on the shopping facilities available. The present-day consumer has become more fastidious about the shopping facilities just as a combination of more competition and greater discrimination has made the consumer conscious of price and quality. A consumer expects the right number and location of shops, a clean contemporary layout and appearance, self-service facilities and regular delivery for some goods. Since, in the opinion of the Commission, there is not going to be any increase in the rate of dividend during the next ten years, it is obvious that the expansion of co-operative trade would largely depend both on the number and improvement of co-operative outlets. This conclusion or rather emphasis is supported by a sample survey recently conducted as to why new members join the co-operatives. This survey has disclosed that initial appeal lies in its trading facilities—the convenience of the shops—the extent of self-service facilities and the availability of delivery service. After joining the society primarily for these reasons, new members begin increasing their purchases for the sake of dividend. At this stage only the divi-

dend becomes a powerful factor in extending the range of their purchases. The fact that a large number of members patronize only one or two departments such as bread and milk, and make purchases on an insignificant scale in other departments, suggests that their support of the co-operatives rests either on delivery services or on dividend on a staple and standard commodity. If other departments are not patronized, it is because the goods are of inferior quality or are not available, and here the influence of dividend is inadequate to persuade them to go in for less standardized departments. The difference between the co-operative proportion of the bread and milk trades and its pro-proportion on total retail trade is a pointer of inadequacy of dividend alone as an inducement. If the co-operative movement were to expand on a significant scale, more and better shops must be provided. This will strain the movement's capital resources, if it is to be done on an adequate scale. Thus, in the opinion of the Commission, a sustained and active policy of ploughing back of a part of the surplus by retail societies should be pursued. The sums thus placed to reserves will not be lost to the co-operative members and the benefit will accrue in the shape of better shops and fuller co-operative services. Thus the conflicting claims of the reserve and the dividend arise over the division of the surplus. Since the situation and the needs of individual societies differ greatly, the Commission contents itself by laying down general principles only, and it must be remembered that their exact interpretation must depend upon local circumstances. If the capital requirements of a bold programme of co-operative development are to be met, more should be allocated to reserves and less to dividend than has been traditionally the case in British movement. The counter claim of the dividend, according to the Commission, would depend upon the relation between the dividend and trade in each locality i. e., the extent to which the exact level of dividend influences the volume of co-operative trade. On this question, however, the Commission opines that no serious evidence exists and states that there is an urgent need for conducting consumer surveys in this respect. In the older co-operative areas some crude correlation might be found in high trade per head of population and high rate of dividend, but this might be due not to the high dividend but to lack of competition from the multiples or to a large number of grocery shops in the heavily penetrated

areas. Again, one might find some correlation between a low rate of dividend and a heavy rate of ploughing back and a rapid rate of post-war expansion, but these cannot, in the opinion of the Commission, be connected as cause and effect. The following are the conclusions hazarded by the Commission in this context :—

(1) In order to act as an inducement, dividend must be above a certain minimum level so that the rate of dividend sounds significant and totals paid out are actually significant. It is difficult to believe that a dividend of under 6 d. per £ will attract more trade, save perhaps on a few exceptional "big ticket" items.

(2) The effective level will depend partly on what level the local members have been accustomed to and on local preferences as between dividend and lower prices.

(3) Above the minimum level it is the fact of payment of dividend rather than the rate at which it is paid that acts as an inducement. It is doubtful, in the opinion of the Commission, if the trade can be significantly affected either by raising or lowering by 1d. or even by 3 d. But if the change were substantial, it would affect the trade appreciably. Suppose, for example, that a society paying 6d. as dividend amalgamates with a society paying 1s. 6d. and as a result of such amalgamation, the members of the amalgamating societies are enabled to get 1s. 6 d. in the £ as dividend, it is obvious that co-operative trade would expand sharply. In some exceptional cases, a small change in the rate might have a psychological effect out of proportion to the amount involved, if it brings the rate of dividend into the range of a different money unit—say from 11d. in the £ to 1 shilling. But ordinarily 1d. up or down will not have any appreciable effect on trade as mentioned already.

(4) If the choice is between a small increase in dividend and an allocation to the reserve, the Commission recommends that allocation to the reserve should invariably be made unless —

(a) the dividend is below the critical minimum level, or

(b) the increase is a psychological one, e.g., from 11d. to 1 shilling, or

(c) unless the increase is part of a planned upward movement, and can be sustained over a period of time, to lead to a dividend, which is higher not by 1d. or 2d. but by a significant amount of at least 6d.

It is always better for societies, according to the Commission,

that they should seek to stabilize dividend at a level (if necessary, below the current level) which, in the light of local experience, is high enough to offer an effective inducement but not so high that it cannot be maintained for a period of years ahead. Societies are further advised to allocate the remaining surplus and any increases thereof to reserve. This level, of course, the Commission warns, should not be regarded as sacrosanct if it conflicts with the requirements of a prudent reserve policy. In order to maintain a particular rate of diviend, the Commission advises that reserves should not be drawn upon nor depreciation of assets neglected.

17. Ideal Size and Reduction in the Number of Societies :— According to the Independent Commission, there are two extreme views in the British Consumers' Movement, regarding the ideal number of societies. There has been also a controversy regarding the relative merits of large and small soci eties. Discussions also take place in regard to pros and cons of amalgamation of societies. At one extreme it is suggested that the only solution to the problems of the co-operative movement is the creation of a single national society. At the other extreme some co-operators hold that the small society is not only more socially desirable but is also more efficient. It should be remembered that the co-operative movement differs from other retail organizations in that it comprises autonomous local units, each sovereign and trying to provide a full range of services in its own area. If all these areas had natural boundaries, no difficulties would arise, but unfortunately they are not. On the contrary, several contiguous societies serve the same urban or rural market resulting in waste and duplication. This waste is often ascribed to overlapping and competition between societies. But sometimes this waste is not due to direct overlapping but simply to the existence of several societies in a single market area or in close proximity to each other. The duplication is likely to take many forms mentioned by the Commission. There may be an excess number of grocery shops with the result that some are trading below capacity or a duplication of warehouses if several societies in the same area have their own when a single large central warehouse could very well serve the area, or an inefficient use of transport because vehicles are doing uneconomic journeys or a waste of office and building space because each has got its own separate office when the whole could adequately be served by one head

office or an excessive number of production units might be operating such as bakeries, dairies and laundries, and consequent under-utilization of resources which could be avoided if some could be closed down and production concentrated on a few larger units. A waste of working capital, if several societies in the same area carry a full range and tie up working capital in stocks. Similarly, the duplication of managerial personnel also may be equally serious but if in the long run a reduction in the number of societies were brought about, it would lead to a significant economy in staff and overheads, according to the Commission. In the opinion of the Commission, the risk of misdirected new development is today greater than ever, because of the tendency of dry goods trade to plough across societies' boundaries. Thus if one society covers a main shopping centre when a large part of the catchment area lies within the boundaries of one or more other societies, the latter may try to develop new dry goods facilities in their own areas, which would naturally be the wrong place. The former society serving the main shopping centre may suffer because the members of the outlying societies on their visits to the shopping centre may have no particular incentive to patronize its dry goods. Because of the flow of trade across societies' boundaries, similar problems may also arise within large cities also, according to the Commission. Perhaps, a Central Departmental Store is needed and it may be put up because a society in the central area would be reluctant to shoulder the entire risk and cost while the benefit would accrue to the members of other societies as well or again a large city may have four main shopping centres each calling for a departmental store, or a large specialist shop, but if there are ten societies in the city, it is a matter of pure chance, in the opinion of the Commission, whether the stores are built in their shopping centre or elsewhere. These risks are inevitable when societies boundaries cut across the flow of trade. There is also another risk, according to the Commission and that is that lop-sided development may also take place, and the separate societies in a single area may have varying degrees of financial strength. Some may have ample capital, but little need for it; they may, therefore, be tempted to undertake unnecessary development or to invest the surplus capital outside the movement. The outlying societies, on the other hand, may urgently need the capital for development purposes, but lack the capital

to do so. This situation occurs, according to the Commission, when movements of population take place. Such movements are altering the relative capital needs of neighbouring societies. While some societies will be called upon at best to maintain or even to reduce the number of their shops, others may be faced with the problem of providing for sudden expansion of their business. The Commission found that there were societies which have more capital than they needed for themselves because their areas were being gradually depopulated. Yet the societies into whose areas the populations had migrated could not develop for want of capital. Thus the Commission concludes that the existence of several separate societies within a natural trading area leads in the first place to waste and duplication of resources and in the second place, it frustrates any possiblility of deploying co-operative capital according to a correlated plan. The Commission states therefore, that federal action, inter-trading schemes and redistribution of capital through the wholesale societies have a part to play, though they are at best palliatives. The Commission further adds that a revision of boundary agreements can reduce waste and raise efficiency, particularly in areas where the movement of population would occur. For instance, a neighboruing society from the area of which the population has shifted to a new housing estate could serve the new estate better than the society in whose area the estate is built. A revision of the boundary areas, in general, in the light of such considerations is favoured, but the Commission is opposed to the conclusion of new or more rigid agreements to eliminate overlapping boundary agreements as in its opinion, they seldom lead to more co-ordinated use of resources. It further opines that such agreements may be actually more undersirable than the competition which ensues from overlapping, becuase they may encourage sloth and stagnation, while competitive penetration by a more vigorous society into an indolent society's area might inspire the latter to greater efforts and so improve the range and quality of co-operative services. Thus the Commission concludes that the right answer to overlapping is often not a boundary agreement which would merely perpetuate an existing waste of capital but the policy of rationalizing the use of capital throughout the area of overlapping society is desirable. Finally, the Commission favours a measure of amalgamation in all those cases where more than one society are serving a natural trading area. But two ques-

tions in this respect are required to be answered, viz., on what scale amalgamation is required when duplication is not conspicuous and how far amalgation should be carried where duplication exists. In order to answer these queries, the questions relating to the most efficient size of a retail organization and how much importance should be attached to either economies or diseconomies of scale will have to be thrashed out.

The Advantages of Size :—The Commission next discusses the above questions in the paragraphs that follow : There was a belief at one time, in the opinion of the Commission, that the economies of scale have no application to distributive trades but recent decades have witnessed a steady trend towards larger organizations even in retailing. In the private sector, the multiples have grown from practically nothing to their present formidable size and in the co-operative movement the size of the retail society is now much larger than what it was thirty years ago. What are the advantages of a large society against the smaller ones ? The Commission mentions that there are several advantages. In the first place, the turnover of a small society will not be sufficient to appoint special staff such as a Transport Manager, Advertising Manager, or a Personnel Officer. These are specialized tasks which have to be undertaken in a small society by non-specialist personnel. This advantage is particularly marked in the case of dry goods trade, which requires to be broken down into specialized departments with specialized management and with specialized bias. This is not possible with the small turnover in dry goods of a small society. It will have to be handled either by the Drapery Manager or the General Manager. It should be remembered that managements are becoming now-a-days more and more expert and professional and a society's progress naturally depends on whether its size enables it to employ a sufficient number of specialists. Secondly, for many commodities the larger the scale of buying, the greater the economy to both buyer and seller. It means also more economical production run for the manufacturer. In the opinion of the Commission, one of the worst handicaps the co-operative producers labour under, is the staggering number and variety of orders they receive. It is, therefore, necessary to reduce the number of separate buying units by amalgamation and co-operative demand should be bulked. Thirdly, there would be economies of scale also on the selling and distribution sides. It

is obvious that the management of 10 to 50 shops would be more efficient than the management of one or two as overheads can be spread and costs can be cut by standardization and management can be more expereinced and skilled. There would be economies also in handling and transport. Fourthly, the small unit will be at a disadvantage in respect of finance. It will not be in a position to provide the full range of co-operative service. It will not be able to finance the renovation or conversion of existing premises, or adequate stocks or the development of such lines as milk delivery, coal delivery or the purchase of local shops in the unrepresented areas or the undertaking of processing. Development may sometimes be held up not by shortage of capital but by the limited size of the market. A small society may be in a position to provide the full range of services but the turnover of business to be expected could not justify the expenditure, and that is why the services are not provided. In other cases the turnover may be adequate, but the small society may not be prepared to incur the risk. A larger undertaking will be able to incur the expnediture because it can spread the risk. It may be argued, says the Commission, that all these are statements of opinions and not supported by concrete evidence. But experience has shown that large-scale organizations in almost all trades are forging ahead of small organizations over a long period of years. The multiples which operate on the largest average scale have expanded fastest, in the opinion of the Commission. The independent retailers who operate on the smallest scale have expanded least and co-operative societies hold the middle position both in terms of expansion and of scale. In the case of food trades, the Commission makes a comparison between the co-operatives and the multiple scale of operations by taking only societies that operate ten or more branches. A multiple shop is defined by the Commission as an organization controlling ten or more branches in the trade concerned. On this basis it is found that in grocery and provisions 73% of the multiple shop branches are operated by some 60 firms with over 50 branches each. But only 37% of the co-operative branches were operated by 38 societies with over 50 branches each. Again, 58% of the multiple branches were operated by 20 firms with over 100 branches, while 15% of co-operative branches were operated by 8 societies only with over 100 branches. In the case of non-food trades, the contrast between the two, in the opinion of the Commission, is

so staggering that it would require action on a national scale by a national body, as the gap cannot be closed by any ambitious scheme or programme of amalgamation. As against this view-point, co-operators, the Commission adds, often point to the high trade per member and strong capital position of many small societies. Such high figures in the opinion of the Commission, are to be explained by factors other than the intrinsic virtues of the small societies. These occur only in the older co-operative areas where the number of shops and the degree of penetration were already remarkable even before 1914, and they are rather a tribute as to how well the pioneers built than to the efforts of the present generation. The matter may also be looked at in terms of trade progress. The Commission has quoted figures to show (vide table 14, page, 87) that a clear relationship exists between size and trade progress. The proportion of societies below average performance as compared to national co-operative average between 1948 and 1955 declines steadily with increasing size. The proportion of above average performance rises steadily with increasing size.

What should be the ideal number of societies ? :—In the opinion of the Commission, there are economies of scale in retailing which the co-operatives are too small to enjoy and the Commission favours, therefore, the creation of pure and larger retail units in the movement. The questions as to what is the right size of the society and what is the number of societies to be aimed at require to be answered. Do the economies of scale justifiy the creation of a single national society as suggested by some co-operators. The Commission, after the most careful consideration, answers the question in the negative on the ground that the larger average size of multiples in the light of their more rapid rate of progress afford prima facie evidence that most co-operatives are too small, but it does not afford any evidence in favour of a single national soicety. The largest forty multiple firms control between them 25000 shops which are fewer than a single national co-operative society would control. The National Co-operative Society would, in the opinion of the Commission, be of a size and hetrogeneity unequal in the British distributive trades and would be much larger than the C. W. S. which is already of a formidable size. In view of the many unsolved problems (found normally in nationalized industries) and associated with so vast a scale of operation and in view of the fact that even the most successful multiple organizations have not found it

necessary to approach, even this scale of operatioms, the Commission sees no compelling argument for a single national society. Besides the Commission feels doubtful whether democracy would have any meaning or reality within a national society. It does neither suggest that the movement should aim for the largest possible size of society nor for a single national society. What the Commission suggests is that in order to reap the economies of scale, there is a minimum size as measured by the number of shops below which these economies cannot be realized. Since the co-operative societies are multi-purpose retailers engaged simultaneously in a large variety of trades, they face the further difficulty of specifying what should be the desirable size than what it would be for a specialized retail organization. For example, the most efficient scale of operation is not the same for food as for non-food nor even for different trades within these categories. In fish and greengrocery advantages of a large scale are not decisive, whereas in groceries economies are considerable. And in the light of experience they cannot be reaped below an absolute minimum of ten shops and probably nearer 20. In the dry goods trade also, the point at which normally economies can be had varies between trades. In view of this, the Commission concludes that there is no one optimum size which can be laid down for co-operative retail societies. This does not, however, imply that no guidance can be given. Co-operative societies, in the opinion of the Commission, although involved in many different trades are not equally involved in all of them and it would, therefore, be sensible to define a minimum size by a reference to the most important sector of their trade. In groceries, the Commission suggests, that a chain of at least ten and more probably twenty shops would be the smallest unit capable of generating these economies. There are 750 co-operative societies with fewer than 15 grocery shops each. All of these need not be amalgamated into larger units because some medium-units would soon reach this size of their own accord. Other societies, both small and medium, may have no convenient neighbours with whom to unite. Still, however, the great majority of societies with less than 15 to 20 branches have contiguous neighbours and are not going fast enough or their expansion is limited by a boundary aggrement. Such societies, in the opinion of the Commission, should amalgamate though the Commission refuses to lay down the ideal number of societies,

on the basis of this criterion. Thus according to the Commission, the retail movement in gorceries would enjoy a reasonable minimum scale of operations in groceries and also in other food trades, where the optimum is smaller than in groceries. But this, in the opinion of the Commission, will not solve the dry goods problem, however ruthless the process of amalgamation may be. What is required in the Clothing and Footwear trades, is the national scale of operation. Nevertheless, there are, according to the Commission, certain important sections of the dry goods trade which are susceptible to efficient local operation. For example, in departmental store-trading, the scale of co-operative trading is already as large as the average of the private sector. In the opinion of the Commission, the ideal solution is that there should be only one departmental store to each main shopping centre and its catchment area. Naturally this raises the problem of defining what is a shopping centre and what is a catchment area. In the opinion of the Commission, this is particularly difficult in the case of large cities which attract dry goods from a surrounding area which itself includes a number of important but subsidiary shopping centres. Similarly, it is also not easy with the existence of suburban shopping centres to divide the large cities into clear-cut market areas. The Commission adds that an element of arbitrariness is inevitable when the pattern of trade-flow is so complex. Admitting that no set of boundaries can ever be perfectly logical, the Commission finds a solution which is at least superior to the present chaotic pattern of boundaries. According to the Commission, there were, in 1950, 180 local Government areas which transacted a trade per head of population above the national average, i.e., they should be attracting dry goods trade from other areas and have to constitute important shopping centres. If in each of these counties which is a catchment area a single society were to operate, making allowance for isolated societies, the ideal number of societies can be arrived at, say, 200 to 300. The Commission is under the impression that in every large town or city served at present by more than one society, the waste of resources and lack of overall planning are atrocious enough and should be reduced by a measure of amalgamation. The Commission further makes it clear that it is not concerned to establish a single optimum size for all societies nor animated by a desire to see that smaller societies are swallowed by larger ones, as

there may be still smaller societies operating in isolated areas or medium-sized ones in country towns having retail boundaries. There are large societies also in big cities which may gain considerably by co-ordination of their activities. In the opinion of the Commission, above a minimum size, the optimum can be judged only in relation to the market. Hence the Commission rejects the idea of district or county societies being formed on the basis of artificial boundaries as the latter have no necessary relation either to the movement of the trade or the size of the market. In order to form the basis of a rational structure of societies, the Commission lays down three criteria :—

(1) The aim should be to bring societies other than very isolated ones up to the size at which they are operating a chain of at least fifteen grocery shops.

(2) There should be one society to each main shopping centre and catchment area.

(3) Societies should amalgamate wherever duplication of resources, both human and material, is now creating waste and inefficiency. The Commission is, however, aware that these criteria will not fit into each individual case, but recommends that the principle of a minimum operating unit of 15 grocery shops should be first accepted and thereafter one should proceed on local and geographical considerations, the flow of trade and the size of the market and the need for specialization and concentration of co-operative resources. On this basis the Commission puts the ideal number of societies at the present stage of retail development between 200 and 300. Does this reduction in the number of societies conflict with democratic principle? Giving a reply in the negative, the Commission points out that the principle of sovereign local unit would be fully preserved, though the units would need to be the larger on an average. The Commission, however, admits that with an increase in size, member-participation declines, but this is not considered a sufficient objection, to hold up amalgamations for the following reasons :—

(1) In the first place, too much stress should not be laid on the single factor of size, for there are instances also of many large societies with relatively high figures of member-participation, and small societies with relatively low ones.

(2) Secondly, if a conflict arises between member-participation and efficiency, action can be taken to increase member-

interest in other ways. Thus in case of amalgamation, the right answer is not to sacrifice efficiency by rejecting amalgamation but intensified effort after amalgamation to maintain member-interest by methods falling within the sphere of co-operative education.

(3) If the conflict cannot be resolved in this way, and the choice has to be made between participation and efficiency, the latter should not be sacrificed for participation, as low participation does not necessarily mean that democratic control is lost. Just as active participation by members is an essential co-operative principle, so is the duty of a co-operative society to conduct its affairs in the interest of its members, i.e., with the greatest possible trading efficiency. This duty should also form, in the opinion of the Commission, a central part of co-operative ideology. A co-operative society is established by its members to give them a better service, which they cannot obtain from private enterprise. It will not do so until it places member-participation and trading efficiency high on the list of priorities. The Commission believes that amalgamation on the scale suggested would give an average size of society not larger than that of many present-day societies, which are not only democratic but they also show a high member participation as well. They are noteable also not only for their loyalty to the movement but also in the field of co-operative education. The Commission recognizes that increase in size will bring with it a change in the role of the Board of Directors which is both desirable and consistent with democratic principles. Thus the Commission unhesitatingly recommends that the movement should set before itself a target of 200 to 300 retail societies only.

Prospects for Co-ordination :—A question is posed whether the advantages of scale cannot be achieved simply by voluntary co-operation between societies without resorting to amalgamation. Some co-operators believe that it can be, and a number of attempts have been made, e. g. it has been recognized that a co-operative member shopping outside her own area, had no special inducement to buy in a shop of another society except on the ground of co-operative loyalty. Thus either trade was lost or dividend on such pruchases was denied. It was to meet this situation that the national membership scheme was introduced under which the member of any participating society can obtain dividend at the shops

of any other society. The Commission supports the scheme but is not impressed by the reasons given for non-participation by some societies. Some smaller societies apprehend that under the scheme they would lose trade inasmuch as their own members will be more prone to shop with larger societies. If these fears are justified. the Commission states that it is an admission on the part of such societies that they are providing a competitive service to their members. The Commission further suspects the reason why some sea-side societies declined to join the scheme is that they are subsidizing their own dividend out of the non-dividend trade which they are doing with the visiting holiday-makers from other societies. If this motive exists, the Commission states that it is scarcely consistent with the ideals of co-operation. Two recommendations are made in this respect by the Commission :—

(1) Societies should give more publicity to the mode of operation of the scheme.

(2) The Co-operative Union should make further efforts through sectional Boards and District Councils to persuade the societies still outside the scheme to join it. Intertrading also has the same broad object as the national membership scheme, and the Commission supports the principle of inter-trading. Sometimes inter-trading is opposed under the fear that trade would be lost, or there are arrangements for discounting with a private trader. Both these reasons are unsatisfactory, in the opinion of the Commission which concludes that inter-trading is a poor substitute for amalgamation which should be given the first priority.

Federal Action :—In the opinion of the Commission, Federation makes a more fundamental contribution. A society may have a turnover which justifies a full range of services in grocery, but would not justify a bakery or a dairy of economic size. If several societies co-operate to establish a federal organization, their combined turnover will justify a plan on the necessary scale. Thus the Commission regards the federal type of organization as being particularly suitable for many processing activities and services. In the opinion of the Commission, there is still scope for rationalization of the bakery trade or, to a lesser extent, the milk trade. The question of federal delivery systems for bread and milk might become urgent in the near future. Federation action might also be desirable in the field of central accountancy and in regard to the installation of electronic computors. But

Federal action, in the opinion of the Commission, provides no effective answer to the overriding question of co-operative dry goods trade and especially in clothing and footwear, local federations are not the right solution. Federal action could, according to the Commission, remedy the retail problem only if it went to the point where the participating societies virtually cease to exist as separate units, but in that case it is identical with amalgamation, because most of the activities of local societies such as buying, transport, warehouses, stocks, allocation of shop-sites would have to be handed over to larger bodies in order to eliminate waste and duplication. This is exactly what happens also under amalgamation. To sum up, the Commission states that all these schemes of co-operation between societies have a role to play, but it is at best a minor role. There is nothing which removes the need for large-scale amalgamation.

5. **The Need for a New Initiative :**—It is argued that every year witnesses a small reduction in the number of societies as a result of amalgamation. Even granting that a large reduction is desirable, why not allow the passage of time to solve the problem painlessly? To this the Commission replies by saying that the movement might not be permitted the time required by its competitors—the multiples. At the present rate of progress in reduction, the Commission adds that "we shall be into the 21st century before the number of societies could be reduced to 250." If the amalgamation were the alternative, who is to take the initiative for the large scale amalgamation, for, in many areas, it might be futile for neighbouring societies to approach each other, even if they are willing because of local tensions. The initiative must, therefore, come from outside, and the Commission recommends that the Co-operative Union must take the initiative and approach the societies. This initiative is more ambitious and argument for amalgamation goes far beyond the case of the bankrupt small society, and nothing will be achieved by a vague and permissive resolution at the ensuing Congress and throwing the onus on Sectional Board and District Councils though in the opinion of the Commission, action from the Centre is bound to arouse sometime a hostile reaction locally. Yet the risk must be undertaken if the deadlock is to be broken. In the opinion of the Commission, the amount of new initiative and the publicity attending it might create a more favourable psycholocal atmosphere.

It would focus attention on the issue and give wide publicity to the arguments in favour of amalgamation, and thus generate a new dynamic behind the whole campaign for closer union. In this way it would hearten the supporters and discourage the opponents of co-operative unity. In some cases the position is one of immobility, and nothing has happened for years or even decades. There are many prosperous medium and large-sized societies, especially in urban areas, according to the Commission which should amalgamate and which have not been approached for a decade or more with concrete proposals for amalgamation, either by the Sectional Board or by a neighbour. Moreover, such approaches as are made today are, in the opinion of the Commission, couched in the most general terms consisting of an admonition to the local Board of a retail society that it should look to its resources and consider the possibility of amalgamation with a neighbour. In the circumstances, therefore, the Commission recommends, that the Congress be invited to authorize the Central Executive of the Union to initiate a survey designed to lead to definite proposals for amalgamation. This survey should, in the opinion of the Commission, be economic and geographical in character, and on the flow of trade and not on statistics of trade per member, dividend and financial results, as such details do not throw any light on the right size of a Unit. A comparatively simple study of local conditions and shopping habits might give the correct answers, but occasionally an elaborate market research survey might be needed. Since the Sectional Boards and District Councils are occupied freely with their own work, the survey, in the opinion of the Commission, must be centrally initiated by the Union, though the experts employed will have informal collaboration with Sectional and District Secretaries. Such a survey would provide the societies which need to be convinced with an authoritative presentation of the case.

6. **The Contents of Amalgamation Schemes** :—The economic survey suggested by the Commission might recommend that particular societies in a particular area should be united to form more advantageous units. It will then be the task of the Co-operative Union to give effect to their recommendations with due regard to local interests affected. The Commission outlines the procedure to be followed in the matter as under :—

The results of the survey would be presented to the Central Executive, which acting under the original Congress Resolution, could call upon the Sectional Boards to prepare schemes for implementation. The Sectional Boards would accept this responsibility and draw up the outline of actual schemes of amalgamation and present the same to societies, sometimes in the form of alternatives. Such action would not, in the opinion of the Commission, offend the principle of local soveriegnty. The final decision would of course remain in the hands of the local society, the only difference in the new procedure being that the advice of the sectional boards would be more concrete and specific. The Commission is, however, not in favour of sectional boards suggesting unconditional surrender, making no provision for guarantees or personal security or regard to the legitimate interests affected by such amalgamation. The Commission, therefore, lays down general principles which should be taken into account in the preparation of the schemes :—

(1) The interests of the employees must be fully safeguarded. Amalgamation may often bring with it the risk of having to travel further to work. If adequate guarantees are given, the Commission urges the Trade Unions and the employees to give strong support to amalgamation proposals as in a larger unit, the wage earnings are likely to be higher, conditions of work superior, and prospects of promotion more ample.

(2) The natural anxieties of the top officials must also be set at rest. Their existing income and stakes must be guaranteed. In case of loss of status, it would be right to provide a lump sum payment by way of compensation and make provision of a pension in case of older officers.

(3) The members of Boards who are deprived of their places on the Board by amalgamation, may be retained as a District Committee. This may not, in the opinion of the Commission, be applicable everywhere. There are, for example, cases where a number of societies with ill-defined boundaries jostle each other in a single confined urban area. In such cases the total number of board members may be too great to be accommodated within the framework of District Committees. Besides, the areas of separate societies may not represent definable districts at all. Here a compromise may be possible, according to the Commission. The existing Boards may be kept in being, as Dis-

trict Committees, for a limited period, say five years, during which time vacancies may not be filled.

(4) It may often be desirable also to retain the element of local identity and local loyalty. This can be done by having regional representatives on the Board of the United Society, or by so framing the rules that separate societies instead of losing their names altogether, may become 'A' or 'B' Division of the new societies.

(5) Lastly, what with regard to members? Their interests are not at all, in the opinion of the Commission, jeopardised. They stand to gain from greater efficiency, better service and lower prices. One possible contingency is that members of one society may be faced with a possible reduction in dividend. Normally the prospects are for higher dividends. Where higher dividends are paid, members should assure themselves that they are not due to higher prices. A more economic unit is in a better position to withstand any declining tendencies regarding dividend in future years. In any event cases where dividends are declining are exceptional. The ordinary member has necessarily to gain everything, but the difficulty is not to persuede him but to reach him in order to point out the advantages of amalgamation. It is suggested that the Boards of Directors often reject the amalgamation schemes without consulting the membership. It is ordinary members who are the final arbiters. Thus the Commission suggests that the Sectional Boards should approach the members just as the Boards place their own viewpoints and place before them both sides of the case. When the General Body of members is called to consider the question, a person representing the Sectional Board should attend the meeting and explain the advantages just as the Board opposes the proposal for amalgamation. Members should then take a decision after fully considering both points of view. The sectional boards, in the opinion of the Commission, should feel this responsibility as a continuing one and should prepare annual reports recounting the progress made in each district and particularly list those societies that rejected the amalgamation proposal. The Commission definitely recommends that no penalty should be imposed on the dissenters, but in its opinion, the wholesale societies should not go on extending credits or financial help indefinitely where this would have the effect of preserving or perpetuating an uneconomic

unit incapable of giving proper co-operative service to its members. The National Federations are recommended, therefore, to take due account of the findings of the amalgamation survey. This economic survey will give members a more real choice than they have today, between preserving the status quo and accepting a policy of consolidation in the interests both of themselves and of the co-operative movement as a whole.

18. Resources and Finance :—The primary sources of finance of retail societies are share capital, loan and deposits in their own savings banks. Successful trade and investments have brought additional funds and have been set apart to form substantial reserves. The total share capital of a society is unlimited but no one member can hold more than £500 and the bye-laws of a society may fix a lower limit. The society may accept loan capital from members or non-members, and there is no general limit on individual holdings of loan capital. A society's bye-laws must, howevre, fix a total limit in respect of aggregate loan capital to be raised. Share capital can either be transferable or withdrawable. Share capital may be subscribed out of their own domestic savings or by allowing dividend on purchases and interest on existing share-holdings to accumulate in their accounts. A member's first qualifying share is usually allotted on payment of a shilling, the balance being paid in instalments usually out of accumulated dividends, but additional shares must be fully paid up. Share capital in societies is almost entirely withdrawable on demand, so that an investor in share capital can treat it as a sort of savings bank account. Share capital in retail societies has gone on steadily increasing partly as a result of the improved incomes of the working classes and partly as a result of the greater confidence placed in co-operatives for investment purposes. The existence of capital funds beyond their internal needs and their ability to employ them with profit has led many societies to adopt regulations restricting accumulation. Sometimes a ceiling was fixed for individual share-holding and sometimes no interest was paid on amounts beyond a certain figure. Sometimes the rate of interest was lower if a member's purchases were low. The surplus capital is attributed to the continuous fall in prices from 1873 to 1897, which gave every Pound a higher purchasing power and released capital from employment in trade. Capital increased also as a result of the increased membership.

trict Committees, for a limited period, say five years, during which time vacancies may not be filled.

(4) It may often be desirable also to retain the element of local identity and local loyalty. This can be done by having regional representatives on the Board of the United Society, or by so framing the rules that separate societies instead of losing their names altogether, may become 'A' or 'B' Division of the new societies.

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Figures for share capital for early years are not too reliable and the year 1881 witnessed a little over half a million £ which increased to a little over two million at the end of 1900. By 1944 it had risen to just over £ 20 million. At the end of 1947 the total share capital of all the retail societies stood at £ 248 million but had since progressively declined to £ 223 million at the end of 1951. But it again rose to a little over £ 240 million by the end of 1955. For the purpose of presenting co-operative statistics, the country is divided into nine regions or sections and the breakdown of the figures relating to the number of societies, membership and share capital over different regions at the end of 1955 is given in the following table :—

Region.	No. of Societies.	Membership.	Share capital. £
1. Irish.	15	147,337	2852,262
2. Midland.	115	1873,637	42888,425
3. Northern.	101	945,244	23974,192
4. North-Eastern.	140	1295,166	29693,989
5. North-Western.	193	1886,707	43962,185
6. Scottish.	184	1336,508	24376,184
7. Southern.	97	3396,236	54171,170
8. South-Western.	59	520,970	9934,623
9. Western.	60	381,462	8483,414
	964	11783,267	£ 240336,444

From these statistics it would be seen that the amount of share capital per member works out at £ 20.4. The following table shows transferable and withdrawable share capital, loan capital, small savings and other sundry funds of the retail societies at the end of 1955.

No. of Societies.		964
Amount of transferable share capital.	£	932,822
Withdrawable share capital.	,,	239,403,622
Loans and interest.	,,	49,683,203
Small savings.	,,	7,488,962
Sundry Funds.	,,	40,010,383
Reserve & Insurance Funds.	,,	31,805,970
Sundry Liabilities	,,	33,477,577
Share interest, awaiting credit to share capital and balance disposable.	,,	26,241,627
Grand total.	...	429,044,166

It will be seen from the above statistics that share capital formed 56.02% of the aggregate liabilities, while deposits and accrued interest were only 22.65%. Reserve and Insurance Funds, sundry liabilities and undisposed of share interest were 7.80,7.41, and 6.12 % respectively of the total liabilities. To meet these liabilities the retail societies had the following assets :—

Assets.	Amount.	Percentage of total assets.
1. Stocks : distributive, productive and expenses.	£ 6,95,12,053	16.20
2. Property : (a) Property and Fixed Stock. (b) Non-trade property.	£ 9,41,74,058	21.95
3. Investments : Shares, loans, house property, advances and sundry investment including C. W. S. Investment and deposit notes.	£ 22,29,50,249	51.97
4. Debtors for goods and accounts owing—Hire Purchase and Clubs less reserves.	£ 2,49,75,122	.8

Assets.	Amount.	Percentage of total assets.
5. Cash on hand at Bank.	£ 1,39,96,075	3.26
6. Sundry assets : Deposits for telephones, accounts paid in advance, deferred revenue expenses.	£ 34,28,257	0.80
7. P. & L. Account— Debit balance in some societies.	£ 8,352	..
Total ..	£ 42,90,44,166	100.0

N. B.—Stocks of subsidiary chemists' societies worth £ 14,69,703 have not been included.

The figures in the above Balance Sheet indicate that there has been a steady rise in the amount of share capital over a period of years, and the share claims formed 56.02 per cent. of the total liabilities. Only a small amount of the share capital was transferable. The national average amount of share capital per member was £ 20.4 at the end of 1955. But in the Northern Section the average exceeded a little over £ 24 per member and in the Southern Section it fell a little below £ 16. Other funds held by the retail societies including S. B. Deposits, sundry funds, reserves and insurance funds brought the total to £ 12,89,88,512, which was 30.06 per cent. of the total liabilities. Coming to the assets side of the balance sheet, it is found that at the end of 1955,16.20 of the total assets was in stocks-in-trade, 21.95% in property, 51.97% in investments and the remainder in cash, debts and other sundry items. Most of the outside investments of the retail societies were either in the C. W. S. or in fixed interest-bearing securities. The percentage of investments to loan and share capital varied from one section to another, the highest being found in the Irish Section with 96%. Most of the retail societies are self-supporting in respect of capital required for financing their needs but in times of boom or trade-expansion they approach the C. W. S. for return of their amounts to finance their business. Balance Sheets for a period of 5 years ending 1957 are given below:—

Balance Sheet of Retail Distribution Societies in Britain for 5 Years ending 1957 (percentages of total figures)

ASSETS

S. No.	Items.	1953 £	1954 £	1955 £	1956 £	1957 £
1	Stocks Distribution - Productive and Expenses. ...	16.04	16.00	16.20	17.36	17.73
2	Property :- (i) Property & Fixed Stock (ii) Non-trade property ...	21.38	21.46	21.95	23.01	24.65
3	Investments :- Share Loans, House Property, Advances, Sundry Investments including C. W. S. Investment, Deposit and Deposit Notes. ...	53.87	53.36	51.97	50.50	48.70
4	Various assets :— Debtors for Goods Accounts owing - H. P. & Clubs Less Reserve Net Amount. ...	4.70	5.37	5.82	5.30	5.21
5	Cash in hand and at Bank ...	2.95	2.83	3.12	2.93	2.95
6	Sundry Assets : Accounts paid in advance; Expenses charged forward; Deposits for Telephones. ...	0.88	0.88	0.80	0.88	0.88
7	Total Balance Deficit (or Suspense) of Societies showing deficits. ...	0.01	—	—	—	—
	Total ...	100.0	100.0	100.0	100.0	100.0
	Balance Sheet Totals in Million £	401.3	412.7	429.0	442.6	455.2

Balance Sheet of Retail Distribution Societies in Britain for 5 Years ending 1957

L I A B I L I T I E S

S. No.	Items.	1953	1954	1955	1956	1957
		£	£	£	£	£
1	Share Claims ...	56.93	56.53	56.02	55.59	54.97
2	(i) Loans and Accrued Interest (ii) Savings Bank Deposits & Accrued Interest. (iii) Sundry Funds – Inclusive of superannuation funds; Bank overdrafts, stamps, Clubs, Staff guarantee, Tokens, Deposits. ...	23.93	23.28	22.65	22.35	22.32
3	* Reserve & Investment Funds. ...	6.73	7.07	7.41	7.58	7.92
4	Sundry Liabilities (including Creditors) ...	7.06	7.29	7.80	8.04	8.21
5	Share Interest not yet credited to share capital account and Balance Disposable. ...	5.35	5.83	6.12	6.44	6.58
	Total ...	100.0	100.0	100.0	100.0	100.0
	Balance Sheet Totals in Million £ ...	401.3	412.7	429.0	442.6	455.2

Note:- *Reserve & Investment Funds include General Reserve, D. E. Funds, Sundry Investment Funds, National Taxation Reserves and Sundry Investments Reserves.

19. Retail Capital, its Sources and Uses :—The Co-operative Independent Commission next goes on to consider whether sufficient capital will be available for the rate of expansion which the movement itself desires and which the various recommendations made by it leads to. At the outset, the Commission mentions the handicaps under which it had to labour in studying the sources and uses of capital in the absence of nationally available statistics of certain important figures, e. g., there is no published figure of the amounts set aside for yearly depreciation. No break-up of the item 'Sundry Funds' is available, and no explanation of the exact causes of changes in the various reserve and insurance funds is forthcoming. Similarly separate figures for external borrowings and their sources and no detailed statement of the way in which the surplus is appropriated for different uses are available. In the circumstances, the Commission had to fall back upon the statistics furnished by the Research and Statistical Department of the Co-operative Union after requesting it to undertake a detailed analysis of societies' annual returns, and the Department has compiled accordingly two tables, (Nos. 16 and 17) showing the sources and uses of capital funds by co-operative retail societies over a period of three years from 1953-55 and for 1938 respectively. These tables are given below :—

Table 16 1953-55 (£m)

Sources.	1953	1954	1955	Total 1953-55	Total per cent
1. Increase in members' capital.	– .9	2.4	5.5	7.0	13.0
2. Increase in superannuation funds.	2.2	2.4	2.3	6.9	12.8
3. Retained income.	.6	1.2	2.2	4.0	7.4
4. Depreciation.	8.5	9.6	10.5	28.6	52.9
5. Increase in net liabilities.	1.7	2.2	3.6	7.5	13.9
	12.1	17.8	24.1	54.0	100.0

Sources	1953	1954	1955	Total 1953–55	Total percent
Uses					
6. Gross expenditure on tangible fixed assets.	10.7	12.4	16.1	39.2	72.6
7. Increase in value of stocks.	– 3.6	1.7	3.4	1.5	2.8
8. Increase in investments.	4.5	– 4.1	2.7	11.3	20.9
9. Increase in cash.	.5	– 0.4	1.9	2.0	3.7
	12.1	17.8	24.1	54.0	100.0

Table 17 1938

Sources.	Total £m	Total per cent
1. Increase in members' capital. ...	6.4	54.7
2. Increase in superannuation funds.	1.1	9.4
3. Retained income. ...	.5	4.3
4 Depreciation. ...	3.3	28.2
5 Increase in net liabilities. ...	.4	3.4
	11.7	100.0
Uses		
6. Gross expenditure on tangible fixed assets. ...	5.6	47.9
7. Increase in value of stocks. ...	– .4	– 3.4
8. Increase in investments. ...	6.5	55.5
	11.7	100

N. B.—Figures taken from *Independent Commission Report* page 133 and 134.

Taking the pre-war picture, the Commission states that there is no sign of financial stringency at the existing levels of capital expenditure. The entire increase in capital assets in 1953-55 was financed without resort to external borrowings, but on the contrary, there was repayment of external debt, as the fall in bank overdrafts considerably exceeded the increase in external loans. The retail societies as a whole were not only able to finance their capital expenditures from their own resources, but they were also able to add to their financial assets, as could be seen from an increase in their investments by £ 11 million over the three years. Even allowing for fluid cover required, the reserve of investments was still enormous, the total amount outstanding at £ 223 million at the end of 1955, forming 27% of the value of all retail trade. In accepting these figures, a note of caution is sounded by the Commission : (1) It is a national picture which does not disclose some regional variations, e. g., the South-Western section contrary to the national trend, was both drawing on its investments and increasing its external borrowings. Some individual retail societies in rapidly expanding areas, such as the new town societies were rightly incurring a level of capital expenditure which could not be financed internally. Thus a number of societies were seriously short of capital for development purposes. Secondly, there is evidence, according to the Commission, to show that during the period of last two years the picture has changed for the worse. The calls on the National Federations for finance have become heavier. 1956 saw a sharp withdrawal of funds from the C. W. S. to the extent of £ 6 million and the estimated withdrawal for 1957 was estimated to exceed over £ 7 million. C. W. S. loans and advances are also showing a marked upward trend. The C. I. S. also has experienced, in the opinion of the Commission, a similar change. Up to 1951, it received no request for capital from retail societies; from 1952-56, it lent to societies an average sum of £ 60,000 annually. In 1957 this figure is estimated to exceed over £ 300,000 and the figure for 1958 is estimated to show a further rise. Thirdly, the fact that societies during 1953-55 were able to finance all the capital expenditure internally might prove that they undertook only that capital expenditure which they could finance internally, and not capital expenditure which they ought to have undertaken. In the opinion of the Commission, the cooperative movement in Britain has shown an antipathy in the past

to finance by means of borrowings, an increase in trading assets on sentimental grounds, thus unnecessarily limiting the desirable rate of expansion. What can be said is that enough finance was available to accommodate the expansion that actually took place. Whether internal finance would be available to finance the desirable rate is an open question and what that rate should be is discussed by the Commission in the paragraphs that follow.

Future Capital Requirements :—From Table 18 given below :

		1948	1955
1. Distribution and other services.	£ m.	48	173
	Index	100	360
2. Co-operative retail societies.	£ m.	8	12
	Index	100	150

it will be seen that the increase in fixed capital expenditure of retail societies between 1948 and 1955 was considerably less in the co-operative movement than it was in the distribution and service trades. Thus the figures in the table are a pointer that the movement has lagged behind badly in respect of capital formation and this fact is a ground for concern about its future. It has already been pointed out that the movement barely maintained its share of total retail trade but has not been able to keep pace with the multiple shop organizations because of its low levels of capital expenditure. The Commission, therefore, ventures to make an estimate of the capital requirements during the next decade on the assumption that it wants to increase its food sales by 33% and to raise non-food sales by 100%. It is also further assumed that the population of this period will be increased by 2 to 3 %. All these projections are made on the basis of the level of prices in 1957.

(a) Food Trades :—In 1957, the retail societies were responsible for £ 725 million of food and tobacco sales, or just over 14% of national sales. An increase of 1/3rd co-operative sales would bring the proportion to 17% to 18% of national sales. At 1957 prices and making allowance for population increase, co-operative sales, in the opinion of the Commission, would be around £ 975 million—an increase of £ 250 million. An increase in sales to this extent would entail a heavy capital investment in new shops, vehicles, fixtures and fittings, and equipment. Taking the commonly accepted rule of thumb ratio, in the food trade of

1: 4 for investment and sales, the capital investment required over the next ten years would be £ 60 to £ 65 million. The Commission considers this to be a reasonable target in view of the fact that the rate of increase which it assumes in the co-operative share of food trade is approximately the same, as that achieved in 1920's and 1930's.

(b) **Non-Food Trades** :—The retail societies were responsible for £ 240 million of non-food sales or 7% of the National total. If this proportion were doubled during the next ten years to 14%, and allowing for the population increases co-operative sales in 1967 (at 1957 prices) would, according to the estimate of the Commission, be £ 510 million—an increase of £ 270 millions. Using the commonly accepted rule-of-thumb, in the non-food trades of 1: 2 for investment and sales, the capital requirements over a period of ten years in the non-food trades would be £ 130 to 140 millions. An increase in sales of this magnitude is considered by the Commission as a reasonable target as this would simply bring the non-food sales per head in the rest of the country to the present sales per head in the Scottish and Northern Sections. Thus the total capital requirements to reach the target set would be £ 190 to £ 205 millions over a period of ten years or an average of £ 19-20.5 millions per year. In addition, the Commission takes into account the likely increase in working capital rendered necessary by the increase in sales. This is estimated to be £ 10-15 millions in the food trades and £ 40-50 millions in the non-food trades. Thus the movement should spend over the next ten years a total of £ 190-200 millions on new fixed capital assets and an increase of £ 50-65 millions in working capital for stock will also be needed. In the opinion of the Commission, there is also another reason why additional working capital is needed. The Commission expects a significant expansion in the hire-purchase trade over the next ten years. This would in itself call for an increase in the working capital. The recommendations of the Commission, it may be noted, are designed to bring the proportion of dry goods to food trade in the co-operative movement nearer to that which obtains nationally and if this happens, the demand for extra finance will be greater in the co-operative movement than in private trade. Co-operation has considerably lagged behind its main competitors in the provision of hire-purchase finance and a significant expansion in co-operative dry goods trade may

be impossible, in the opinion of the Commission, unless this gap is closed. It is also estimated that there will be an appreciable increase in debtors, relative to creditors, and this increase in net liabilities (vide table 16) may be reduced by £ 1 million per annum. The future capital requirements will be exceedingly heavy, according to the Commission, if the co-operative movement takes its expansion seriously. Since a selective expansion is aimed at, it will not be heavy equally in all sections. Thus in the Northern half of the country where penetration is already deep, no large increase is necessary in the number of grocery outlets, the only need being for renovating and resetting existing food outlets and opening new dry outlets. In the Southern Section where penetration is less, more emphasis will have to be placed on new outlets in food as well as dry goods. In the opinion of the Commission, a greater part of the new expenditure should be concentrated in the South and Midlands. The Commission goes further to assess the magnitude of additional finance required for the expansion plan. This plan presupposes an annual capital expenditure from £ 19 million to £ 20·5 millions for a period of ten years. In the years 1953-55, gross expenditure on fixed assets averaged some £ 13 millions. Assuming that £ 5 millions were incurred on major upkeep, maintenance, and replacement of existing assets, the balance of £ 8 millions would represent, per annum, net fixed investment corresponding with the £19 to 20·5 millions assumed by the Commission. This leaves an annual deficiency of £ 11 to 12·5 millions. In addition, the Commission assumes an increase in working capital requirements of £ 5 to 6·5 millions, and £ 1 million for hire-purchase debt, thus giving a total increase in capital requirements of £ 17 to 20 millions annually. In the opinion of the Commission, part of this could at once be found if societies ceased to add to their financial assets. For the period 1953 to 1955, there was an average excess of capital provided over the capital used in trade of £ 4 millions annually, and this went to increase the societies' holdings of investments. If this amount were diverted to trade, the net annual capital requirements would came to £ 13 to £ 16 millions.

(B) **Sources of Finance** :—What are the sources from which this additional capital is to be found ? The solution to this question is discussed in the following paragraphs by the Commission :—

(*A*) *Members' capital* :—Members' capital is declining re-

latively in importance, as a source of new finance. In 1938 as a proportion of sales, members' capital has fallen from 70% to 35% today. The increase in members' capital exceeded gross capital expenditure on fixed assets and stocks and constituted 55% of the total sources of new finance. In 1953-55 the increase amounted to about 1/6th of expenditure on fixed assets and stocks forming only 13% of the total sources of new finance. Many reasons account for this change and the following may be noted :—

(1) The fall in dividend in real terms (with a spurt in prices).

(2) The influence of new pension arrangements on the security motive for co-operative savings.

(3) The altered age-structure of the population and growth of hire-purchase debt.

(4) In periods of dear money co-operative rates of interest are behind those available on other forms of savings.

In the opinion of the Commission, there is no sign that all these influences are likely to change. On the contrary, the Commission considers that—

(a) The dividend rates may come under greater pressure.

(b) The spread of super-annuation schemes may further weaken security motive for small savings.

(c) The attraction for hire-purchase debt will continue to grow.

It is sometimes said that a small minority of large capital holders in the co-operative movement owns a high proportion of members' capital, while the great majority of members hold only insignificant amounts. It is also further stated that this small but dominant group of large holders consists of old people and when they die, their holdings are likely to melt away. Researches carried on the basis of the annual savings surveys do not entirely bear this hypothesis out. What is confirmed is that the higher age groups own more than proportionate amounts of co-operative capital. Of the various causes of decline in the relative importance of members' capital as a source of new finance, only one is, according to the Commission, under the control of societies, viz., the rate of interest. This rate now stands on an average at 2%, which is well below the rates currently offered on other competing forms of savings. The point to consider is whether an increase in the rate of interest would enlarge the net flow of new capital. The reply to this is given by the Commission by saying that while other forms of savings are sensitive to interest changes, co-operative

savings are not, because a substantial portion of it is contributed by the non-withdrawal of dividends. Here, factors of inertia and convenience are more important than the rate of interest. Besides, the average share-holding is comparatively small (£ 21 per head), and the income change from a change in the rate of interest on such a small sum is negligible. But it may be noted that the Commission is not only satisfied that this is the case, as they have found that many societies report large withdrawals at the present low levels, while a few societies that have raised their rates of interest claim a definite net increase of capital in consequence. According to the Commission, if the rates had been higher, there would not have been a slight decline, but a significant rise in the share of co-operative savings. Secondly, in view of the fact that a higher proportion of members' capital is held by a small number of large holders, it is incredible that co-operative savings would remain indefinitely insensitive. These big holders unaccustomed to the notion of changing investments for a higher yield, are at the current moment content not to withdraw their holdings, but a greater sophistication may price them out at some future date. Generally the competition for small savings may be increasing, as large savings are reduced by taxation and the co-operative saver in future may be offered more tempting terms than existed in the past, according to the Commission. Thirdly, after an examination of the share account of one society, where there were a large number of both contributions and withdrawals of substantial sums, the Commission has concluded, that share amounts are more important relatively to non-withdrawn dividends, and this suggests, in the opinion of the Commission, that members' capital is neither so inert nor so dependent on accrued dividend, as is often thought. Thus the Commission considers that a higher rate of interest might often be effective, and advises the societies to consider the matter carefully when they are short of capital, and they could undertake a more sympathetic study of the possibility of higher rates than has been given in the past. Nevertheless, the Commission sees little reason that the annual increase would be far above the £ 2.5 millions—which was the average for the years 1953-55. Historically speaking, capital has never been a problem in the co-operative movement in Britain. An annual abundant flow of cheap capital enabled the co-operative movement to finance internally all the fixed capital expenditure without resort to borrowings, and with-

out feeling the need for heavy ploughing-back. Not only that, but it built up a vast reserve of investments to make the co-operative movement in Britain the envy of other trading organizations. Those days are now gone, and the movement will face the same capital problem as other private enterprises do. The movement so far relied comfortably on the effortless creation of members' cheap capital, but it must now adjust itself to finding new sources of finance. This fact, represents a major change as compared to the pre-war position.

(*B*) *Superannuation Funds as Source of new Finance* :— The growth in superannuation funds has been, in the opinion of the Commission, remarkable. The total of such funds held by retail societies is increased from £ 8 millions in 1938 to £ 35 millions in 1955. As a proportion of capital funds they formed 3.8% in 1938 as against 9.6% in 1955. These funds are at present utiized by the local societies either for trade or for investment purposes, but there is a growing pressure to invest the funds outside the local society. The rate of annual growth at present is at the rate of some 2½ million and in 1955 it represented just over 13% of total new source of finance. They might reach £ 100 millions even in the next ten years. Nevertheless, the Commission counsels the movement to be circumspect about leaning too heavily on these funds as a regular and reliable source of finance. Not all funds may remain indefinitely invested in the local society. Moreover, a National Superannuation Scheme may well be introdueed and no one can foretell what would be its effects on the investment policy of the existing co-operative schemes. In the opinion of the Commission, when preparing long-term capital budgets it would be prudent to ensure adequate finance from other sources than this.

(*C*) *Depreciation as a Source of New Finance* :—There are, according to the Commission, two methods of ploughing-back or retaining profits in the co-operative movement. It is common knowledge that taking the movement as a whole, the annual sums actually set aside exceed the conventional levels allowed against the tax by the Inland Revenue. The Commission regards over-depreciation as a prudent and convenient method of building up reserves. The importance of surplus depreciation, in the opinion of the Commission, need not be over-emphasised, as it becomes strictly greater as other sources of finance decline. Total depre-

ciation (inclusive of the element of excess depreciation) accounted during 1953-55 for 53% of the total sources of finance, and the Commission recommends the practice of creating hidden reserves by generous depreciation policies.

(*D*) *Retained Income* :—The second and more conventional method of retaining income is to allocate to reserve funds part of the annual available surplus. Since there are no published figures, the Commission has built up the following tables on the basis of figures supplied by the Union's Statistical and Research Department.

Table 19 Appropriation of Income after Taxation by Co-operative Retail Section — 1953–55 (£m.)

	1953	1954	1955	Total 1953-55	Total per cent
Surplus after Taxation on Trading and Investment Income.	53.9	58.4	63.4	175.7	100
Less Depreciation	8.5	9.6	10.5	28.6	16.3
Share-Interest	6.2	6.3	6.5	19.0	10.8
Dividend Purchases	37.9	40.5	44.3	122.7	69.9
Balance: Retained income	1.3	2.0	2.1	5.4	3.0

Table 20 Appropriation of Income after Taxation by Quoted Companies in Retail Distribution 1953–55 (£m.)

	Total 1953-55	per cent
Surplus after Taxation on Trading and Investment Income	164.3	100
Less Depreciation		
Interest on long-term loans ...	27.1	16.5
Dividend on long-term loans ...	5.6	3.4
Balance : Retained income	70.2	42.7
...	61.4	37.4
	164.3	100

N. B.—Statistics taken from the Co-operative Independent Commission Report, p. 145

These tables present a sharp contrast between the co-operatives and private enterprises. While co-operative societies set aside only 3% of their surplus for future expansion, the private concerns set aside 37%. While co-operatives pay out nearly 70% in dividend, private concerns pay out only 42%. This contrast becomes more startling if depreciation and interest which are more or less inescapable claims on the surplus are excluded, and the disposable surplus which remains either for distribution or for building up reserves is taken into account. The following table gives the distribution of disposable surplus.

Table 21 Comparative Distribution of Disposable Surplus 1953–55

Particulars	Co-operative Societies		Quoted Companies	
	£m.	Per Cent	£m.	Per cent
Disposable surplus ...	128.1	100	131.6	100
Dividend ...	122.7	95.8	70.2	53.3
Retained Income ...	5.4	4.2	61.4	46.7

N. B.—Vide page 146: Co-operative Independent Commission Report.

These figures are, in the opinion of the Commission, profoundly disturbing. While the movement's main competitors are retaining nearly half their disposable surplus for future expansion, the retail movement is retaining only 4% and paying the remainder out as dividend. The effect of this is seen on the capital position. In co-operative societies, retained income (vide Table 16) is only 7·4% of the total capital funds available each year, while the corresponding figure in the case of private enterprises is 58.4, as could be seen in the table 22 on page 106.

It has been mentioned already that the Co-operative Movement over-depreciates by writing off 100% capital expenditure to revenue account in the very first year. Thus depreciation is greater than would be required on strict accounting principles. This excess depreciation on the basis of tax liability returns may be regarded as retained income which is estimated by the Commission to have been £ 1.6 million in 1953 to £ 2.1 million in 1954

Table 22 Sources and Uses of Capital Funds by Quoted Companies in Retail Distribution 1953–55

Sources	Total 1953-54	Per cent.
1. Increase in share and loan capital. ...	23.4	17.2
2. Depreciation. ...	28.9	21.2
3. Retained income. ...	79.7	58.4
4. Increase in net liabilities ...	4.4	3.2
	136.4	100
Uses		
5. Gross expenditure on tangible fixed assets. ...	100.5	73.5
6. Increase in value of stocks...	36.6	26.8
7. Increase in marketable securities. ...	6.7	4.9
8. Cash. ...	– 7.1	– 5.2
	136.7	100

N. B.—Figures taken from Co-operative Independent Commission Report, page 146.

and £ 2.3 million in 1955. Though these sums are added, they scarcely affect the contrast referred to above. Co-operatives are ploughing back a far lower proportion of their surplus and their retained income and finance a far lower proportion of their capital expenditure. The Commission then goes on to analyse as to why so little is put to reserve and it replies by saying that apart from the fact that capital has been plentiful in the Movement recently, there are two other reasons. The first is due to the influence of the tax system. Dividend on purchase, being equivalent to a discount, is not subject to tax, while retained income is liable to the normal tax on undistributed profits. The more is retained, the higher is the tax liability. Though it is an advantage to pay less tax, it is, in the opinion of the Commission, a short-term advantage only. It is far outweighed, the Commission

adds, in the long run by the advantage of higher reserves, a stronger capital structure and the possibility of a more rapid expansion of trade. To diminish the tax liability by putting less to reserves in view of the capital position already referred to can mean only the sacrifice of hope for a major advance in co-operative trade according to the Commission. This the Commission considers to be a short-sighted policy. The second reason given by the Commission as to why so little is put to reserves is the prejudice for retaining income and it has to do with the level of dividend on purchase. In view of the strong criticism heard in the co-operative circles against high profit distributions in the private sector, the top managements of many large private concerns have to-day a stronger bias against high dividends and in favour of building up reserves than what co-operative boards of directors do. In one case, the dividends go to passive shareholders and in the other to co-operative members in proportion to their purchases. According to the Commission, it is sometimes denied in the Co-operative Movement that dividend and reserve allocations are directly in conflict once secondary effects are taken into account. First, it is pointed out, that 40% of any sum allocated to reserves is paid out in cash and only 60% is retained by the society. If, on the other hand, such sums were paid out in dividend, some substantial fraction of it would not be withdrawn by members, but would remain with the society. Dividend might be as effective a method of building up capital as allocation to reserves. The Commission is, however, not convinced by this argument. In its opinion, it is unlikely that 60% of dividend payments which would amount to £30 million would be left with societies as permanent capital. The figure is very much lower than this. Besides, to the extent that some amount of dividend is left as long-term capital, some fraction of non-trade assets must always be held against it as liquid cover. Reserve allocations, on the other hand, require no additional liquid cover. The Commission, therefore feels no doubt that a much higher proportion of reserve allocations than of dividend payments remains available to the society as free capital. Secondly, it is also said that a rise in dividend may lead to an expansion of sales, a larger net surplus, and so ultimately a larger total allocation to reserves. The Commission has already pointed out earlier, that there is no clear correspondence between high dividend and

trade expansion and has advised societies that are faced with a choice between higher dividend and higher reserve allocation, to choose the latter. The Commission further states that in the variety of circumstances no desirable rate of reserve allocation can be laid down in quantitative terms and believes that the 1 d. allocation per £ of sales is too low under the present conditions and its advice is couched not in terms of money or percentages but of norms of conduct. It recommends that the Boards of Directors should treat reserve allocations as the first charge on the available surplus, and the allocation should be significantly larger than what is normal in the movement to-day. In an earlier paragraph it was estimated by the Commission that over and above the the present level, the additional capital expenditure would be required to the extent of £ 13 to £ 16 millions annually, if the movement were to substantially increase its share of trade. It was also later argued by the Commission that it was unwise to rely too heavily on rapid rate of increase of members' capital or on the permanent availability of superannuation funds. This implies a heavy burden on the retention of surplus whether in the form of over-depreciation or of open allocation to reserves. In the years 1953-55 the surplus provided an average of nearly £ 4 millions per annum. This allocation will have to be increased by 100%. Still it would leave a gap of £ 9 to £ 12 millions or £ 90 to £ 120 millions over the ten-year period.

5. The Liquid Reserve as a Source of Future Finance :— The retail societies held over £ 220 millions of investments in 1955, an amount equal to more than 50% of the total assets. Any private concern might, in the opinion of the Commission, feel uneasy that so large a proportion was locked up in unproductive purposes, instead of being actively employed in trade. A part of these investments no doubt consists of trade investments in other co-operative organizations, and these amounted to £ 45 millions, leaving £ 178 millions invested in marketable securities as shown on page 109.

This reserve amounting to £ 178 millions of marketable securities forming 42% of total assets is considered to be heavy, judged by ordinary trading standards. No private trading concern, in the opinion of the Commission, holds non-trade assets to this extent. In the case of quoted companies in the retail distribution referred to earlier, the proportion of non-trade to total assets

			£ m.
1.	British and Dominion Governments.		36
2.	Local Authorities		17
3.	Joint-stock Companies.		1
4.	Co-operative Permanent Building Societies.		9
5.	Wholesale Societies (Loans and Deposits)		102
6.	Advances to members.		13
		Total	178
7.	Wholesale Societies' Shares	33	
8.	Other Co-operative Societies.	12	
			45
			223

N. B. — Vide Table 23 of the Co-operative Independent Commission Report, P. 150.

was 3.1 in 1955. But it may be noted that a retail co-operative society is not only a trading organization but is also a banking and savings organization. Retail societies hold £ 300 millions of members' capital, which is deposited with them as a convenient form of small savings and which is withdrawable (to all intents and purposes) at call. Against this sum they must keep some special reserve of liquid assets. Thus the proportion of non-trade to trading assets will be exceptionally high in the co-operative movement. One way of reducing this proportion, in the opinion of the Commission, is by increasing the proportion of non-withdrawable to total liability capital. This is already happening with the growth of superannuation funds. The position will improve to the extent that the movement pursues an active policy of building up reserve funds. Such funds represent non-withdrawable collectively owned capital. The trend, according to the Commission, is in the right direction. As a proportion of capital funds, (consisting of members' capital, sundry funds, reserve and insurance funds, less tax reserves) rose from 6.6% in 1938 to 7.3% in 1955. This is, however, slow progress. Still, however, there will remain, according to the Commission, a large volume of withdrawable members' capital against which fluid cover in the form of liquid assets must be held. Then the question

is : Are all the £178 millions of realizable assets needed for this reserve? The Commission has found, on examination, that realizable assets formed 60% of the members' capital and this proportion is much higher from the liquidity point of view. Yet a considerable proportion of the assets is not actually liquid. The Commission raises three questions in this context : (1) What would constitute a desirable ratio of liquid assets? (2) What assets are to be regarded as liquid? (3) Given the answers to the first two, what reserves of co-operative capital might be used in trade without threatening the liquidity position. The Commission gives reply to all these questions. It begins by saying that we must decide what proportion of liability capital, being subject to the danger of unforeseen withdrawal, requires a special reserve to be kept against it. Is it members' capital or does it include other liabilities? The Commission has come to the conclusion that it is only against members' capital which represents the distinctive co-operative savings and banking function that a special liquid reserve be maintained. What this reserve should be cannot, in the opinion of the Commission, be determined by analogy with other financial institutions, as no analogy is sufficiently close and the matter can, therefore, be decided only by judgment and experience. The Commission does not apprehend, taking the country as a whole, much danger of a sudden run on capital. Looking to the previous year's withdrawals, the largest net withdrawal in any one year has not exceeded 3% and there was no net withdrawal during the year of the general strike, nor during the worst years of the economic depression. Only one per cent. was withdrawn during the year of Dunkirk and the Battle of Britain. This does not, in the opinion of the Commission suggest the need for any great anxiety, as future experience may not be different. There will be some continued increase in members' capital with expansion of trade. There might of course be some danger of withdrawal of non-withdrawn dividends if co-operative interest rates persisted in being wholly out of line with market rates, and the obvious response to that danger will be, in the opinion of the Commission, to raise interest rates and not to keep a vast liquid reserve. Considering the country as a whole, the Commission suggests that the movement needs to work on a ratio not higher than 10% of extremely liquid assets, with a further 10% of second line reserve of investments designed to create confi-

dence that withdrawals can, in fact be met. The Commission is reluctant to put forward a single ratio which would be valid for all societies, as the risks of withdrawal vary between societies. Partly they may vary with local conditions according to the Commission, being greater in areas of declining than in the areas of expanding population or income. And partly they vary also if the financial position of the society being naturally greater if trade and dividend are seen to be falling. The Commission advises the societies, therefore, to make their own detailed decisions in the light of local conditions and their own past history of net withdrawals, and the Commission believes that societies in expanding areas could operate on an exceedingly low ratio. The next question to decide is which of the movements' investments can be regarded as liquid. In the opinion of the Commission, many of the investments held by societies are not properly liquid or realizable only at a heavy loss. The Commission rightly excluded £ 45 millions representing wholesale societies' shares or in other co-operative societies, as they are either not withdrawable at all or withdrawable only at the cost of damaging other co-operative enterprises. Thus the total of non-trade assets is shown at £ 178 million and they are divided as follows :—

		£m.
(1) *Internal investment* :		
Advance to members.	...	13

These are mainly mortgages on house property and hence distinclty illiquid. If they are carefully spaced through time, so that repayments are coming in regularly, they can be regarded as part of a second-line liquid reserve, but since the co-operative building society undertakes this line of business, the Commission discourages retail societies from making long-term non-trade investments of this kind.

		£m.
(2) *Outside Securities* :		
(a) British Government.	...	36
(b) Local Authorities.	...	17
(c) Joint Stock Companies.	...	1
		54

These investments cannot be legitimately treated as part of the required ratio of liquid assets and should be regarded

second-line reserve, if they are either short-dated or so phased that a substantial portion is on the point of maturing irrespective of the average length. In the opinion of the Commission there is no evidence that these conditions are fulfilled. It further adds that a large part of gilt-edged securities portfolio could be sold out at a heavy loss, and it is often costly and difficult to encash Local Authorities' loans before maturity. In one case cited by the Commission, a savings bank closed its doors with 90% of its deposits invested in Trustee Securities. The latter stood at so low a market value that the Bank was unable to meet withdrawals and still it was regarded as 'solvent'.

	£m.
(3) *Co-operative Investments.*	
(i) Co-operative Permanent Building Society.	9
(ii) C. W. S. and S. C. W. S. Loans and deposits.	102
	111

According to the Commission, though the exact terms of these investments vary, it is safe to say that the greater part of this sum is realizable within six months and a large part within three months. The Commission counts these investments, therefore, as constituting the liquid reserve. Cash is not, however regarded as liquid asset, as the year-end figure is heavily mortgaged against the disposable balance. The ratio of investments to members' capital appears to be meaningless and liquidity, in the opinion of the Commission, must be defined in terms of assets which properly are liquid. From what is discussed above, it will be seen that there are weaknesses in the investment policy and nomenclature as well. In the opinion of the Commission, two weaknesses particularly stand out : (1) The whole burden of providing fluid cover (retail liquidity) is thrown on to the wholesale societies. This is tolerable if the remaining non-trade capital not required for liquidity purposes were also invested in the wholesale societies. But in fact, a large part of it is invested outside the movement. Again, a large volume of funds is immobilized in investments which neither help the expansion of trade nor contribute to liquidity. In the opinion of the Commission, the correct investment policy for a retail society would be as under :—

It should set aside a small proportion of its capital as a liquid reserve in the sense mentioned by the Commission. Secondly, it should employ in trade whatever it profitably can. What the ratio will be (above the minimum liquidity requirements) between capital required for its own trade and capital not so required will depend, in the opinion of the Commission, upon the extent of a society's capital resources compared with the developmental needs of its own area. For example, a rapidly expanding new town society will use its entire surplus capital for its own expansion, and may have to borrow also in addition. But a society in a declining area or an area already heavily provided with co-operative shops will not need all its surplus for local capital expenditure. The Commission, however, considers that there is no one optimum ratio applicable universally. Thirdly, societies, according to the Commission, which have capital beyond their own minimum liquidity and local trading requirements, should invest the surplus in other co-operative bodies and notably the wholesale societies. In 1955 the liquidity ratio was 37% (£ 111 millions to £ 298 millions). This would release for trade investments in the movement, totaling all the £ 67 millions, now held outside the movement or in mortgages. If the liquidity ratio were reduced to 30%, £ 89 millions would be released; if 25%, £ 104 millions; if 20%, £ 180 millions. There is therefore, in the view of the Commission, a very large reserve of capital, in the movement and it is to be mobilized and invested in trade, and the capital deficiency of £ 90 to £ 120 millions, according to rough calculations made by the Commission would be largely filled. This is, in the opinion of the Commission subject to three important provisos :

(1) Since the existing distribution does not always correspond with the need to use it, a method must be found of mobilizing it centrally, and, then distributing it to where it is needed. The reserve would be of no use if those societies that hold it now but do not need it simply invest it outside the movement, out of the reach of the capital deficit societies. The Commission, therefore, recommends that it must be placed centrally, with the wholesale societies.

(2) There is the difficulty of mobilizing the investments which could be realized at present at a heavy loss. They may, therefore, be utilized as collateral for borrowing. But resources for lending must be forthcoming in the movement.

(3) Once the £ 67 millions of outside investment and the £ 9 millions invested with the co-operative permanent building society have been mobilized, the remainder of the capital consists of loans and deposits with the wholesale societies. Before one can say that this is available for expansion, the wholesale societies must be in a position to release it. That is to say, the withdrawals should not throw their own finances into confusion. This subject is discussed by the Commission while dealing with the wholesale societies.

In conclusion, the Commission states that the likely capital deficiency could largely be met by a once-for-all switch of retail society capital out of investments into trade. Almost the whole of societies' available investments above their minimum liquidity reserve would, in the opinion of the Commission, be switched. In order to lessen the strain on other sources of finance, this serves to emphasise once again how vital it is for the movement to increase the sums allocated to reserves.

20. Control over Business :—The vast trading organization of the co-operative consumers' movement is controlled by consumers according to the principle of economic democracy formulated by the Rochdale Pioneers. What these principles are have already been sufficiently discussed. The day-to-day administration of a co-operative retail society vests in a committee of management elected from and by the general body of members of that particular society. Elections take place usually at the quarterly or half-yearly general meetings of societies at which every member of the society is entitled to attend and vote on any matter concerning the affairs of that society. Normally a small proportion of members entitled to be present actually attends these meetings, as most of the customers are content to leave the direction of affairs of the society into the hands of the keener section of society's membership. It is only when the rate of dividend is proposed to be reduced, many members turn up to know the reason why such reduction is recommended and to consider the possibility of replacing members of the Committee of Management. Large attendance at general meetings is seen only when some abuse of power or internal inefficiency or some controversial issues are going to be discussed. The committee of management usually consists of laymen serving the society in their spare time and exerts a fairly detailed control over its

affairs. The sizes of managing committees vary, but normally managing committee consists of 12 members out of whom trading sub-committees are appointed. In the case of those societies where there are no sub-committees, usually the managing committee consists of seven or eight members. The election of women on the managing committees is a recent development. Societies having less than 1000 members rarely have women committee members, but in larger societies it is common for 2 or 3 committee members to be women. The members of the committee are elected for varying periods. Some societies provide for a period of one year, some for two years, and others for other periods. In some cases members are debarred after serving for a specified period from seeking re-election for a term which varies from society to society. In some societies an age limit is also imposed and persons attaining the age of 65-70 are disqualified from being elected on the committee, though it is normal to find in some societies, committee men being elected who are nearly 75 to 80 years of age. Qualifications for membership on the committee are imposed also by some societies. The period of membership in the society or the capital holding or the amount of purchases made during the year would be the basis for eligibility for election on the committee on the ground that a person wishing to be a leader of the society must give concrete proof of his loyalty to the society which every ordinary member is asked to show. It is also usual to find disqualifications imposed. A person is disqualified on the ground that he is engaged on his own account in a business in which his society is engaged or if a near relation of his is employed by the society. The last named disqualification is removed in some societies and employees are allowed to sit on the committees in a small number of societies. Employees are still excluded in the case of societies with a membership of less than about 15,000, but there has been a tendency during recent years to allow a limited number of employees to serve on the committee in larger societies. Opinions in regard to the question of representation of employees on the committee differ very widely. Some consider that the association of employees with the management helps considerably in promoting the solidarity and assisting the employees to appreciate the problems of management. The arrangement is also attacked on the ground of discipline. A permanent official would be placed in a difficult position while giving orders to a

subordinate, who is also a member of the committee that appoints him. Again, the employee on the committee may disclose to his colleagues the gist of discussions at the meetings of the committee and this form of abuse of the position would be serious especially in cases where there is a powerful employees' vote at the general meetings of the society. Payment for members of committee obtains at practically all the societies. Such payment may be of a few shillings, to meet out-of-pocket expenses. The committee members are usually more wage-earners and housewives, and for that reason they usually meet in the evening at least once a week, with perhaps another attendance at a departmental sub-committee. For delegation or other special work extra payment is made. The committee may conduct its business as one committee, or it may appoint sub-committees giving to each sub-committee specific items of work. The minutes of the sub-committee are submitted to the full committee for subsequent ratification and the full committee is finally responsible for decisions affecting the society and its business. The managing committee usually engages and superintends the work of all employees of the society including that of secretary, the departmental manager or other specialists. They have a right to make a change in the trading policy. They may receive the advice and suggestions of the permanent officials, but they can and often do reject or reverse the suggestions of permanent officials. It is desirable that committees should mainly concern themselves with broad principles and general policy, rather than with the details of management. Though the law recognises only one committee known as the "committee of management", members must often appoint sub-committees. The most important committee is the Education Committee to which is entrusted the business of organizing and supervising the educational work of the society, though it does propaganda as well. This committee is appointed by the general body of members in the same way as a committee of management is appointed. Payment for work done is less common and if made, it is at a rate lower than the scale fixed for members of a committee. The income of the educational committee is provided for in the rules or is voted at the general meetings of a society and is usually derived from allocations made upon a fixed amount per member, per annum. Though the committee of management is responsible for the proper conduct of the affairs

of the society, this responsibility does not imply that the committee itself must manage the society. The business is normally conducted through permanent officials and their work is supervised by the committee. The chief executive officers and departmental managers are immediately responsible to the committee in the larger societies, although in a few cases they are appointed by the generality of members at the general meeting.

21. Altered Role of the Board of Management of a Retail Society :—The standard of Management of Co-operative Retail Societies ranges, in the opinion of the Independent Commission, from the excellent to the deplorable. Even when the external conditions are similar, extreme variations in trade progress between societies of the same size and in the same area give cause for concern. It must be obvious that the quality of the management in the future will be a deciding factor, whether the movement prospers or stagnates. A retail society is a co-operative democracy in operation. The first feature of this democracy is that members ultimately control their society on the strength of 'one member, one vote' and not 'one share, one vote'. It is this simple democratic rule that distinguishes a co-operative organization from a capitalistic enterprise. It may be noted that the precise character of this democracy has altered during the last 100 years and two changes have occurred, according to the Commission. In the first place, there has been a decline in the proportion of members that play an active part in the democratic process. This proportion can scarcely be expected to be high in the large multiple-shop societies of to-day having thousands of members and covering hundreds of square miles. Less than 1% of members on the average attend the annual meetings and less than 2% vote at elections, and this proportion further declines as the size of the society increases. In the early days of the co-operative movement, when its total membership could only be counted in hundreds, its entire membership was drawn from among the few that wished to spend their evenings in voluntary public work, but when the movement has 12 million members today, the few have become an insignificant minority of the total membership. This change may be regarded as inevitable as the movement has grown from a small minority organization to its present vast size. From this it need not necessarily follow that the ultimate democratic control of the members has been lost, because so few attend or vote. The inactive members still

retain their democratic power in reserve which they can exercise at any time. The fact that they permit themselves to be represented at meetings or elections by a fraction of their number need not, in the opinion of the Commission, necessarily entail loss of confidence or control, provided the fraction is truly representative of the whole. But unfortunately this is not always the case. Small pressure groups representing minority interests may swamp the meetings and dominate the elections. In this case, there will be a government by an unrepresentative minority which it will be still within the power of the majority to prevent. The second change that has come over co-operative democracy, according to the Commission, proceeds from the growth in the size of societies and a change in the character of management of a society. The Commission opines that the function of management in the case of a medium or a large-sized society has become infinitely more complex and technical. A large-sized society depends for its success today on the use of specialized technique. It is no longer possible, according to the Commission, for lay committee men and women to undertake detailed day-to-day management of a society. This must be handed over to trained, full-time, professional officials. Instead of taking the day-to-day decisions, if the Board concentrates on issues of major policy only the reality of ultimate control, in the opinion of the Commission, is in no sense weakened. If the function of active management and ultimate control are kept distinct, the requisites of co-operative democracy will be fully met. The Commission opines that the problems of how to reconcile democratic control with business efficiency is really not insoluble if the role of democracy is properly interpreted. Some critics of the co-operative movement ascribe all the ills to the low calibre of Boards and propose to set an age-limit or to lay down minimum qualifications for members of the Board. These views are, however, not shared by the Independent Commission which only favours the introduction of training and refresher courses already offered by the educational executive. In the opinion of the Commission, the solution to the problem is not the calibre of the Board, but its role and the relationship between it and the chief officials. The Commission has found three separate versions of the role of the democratically elected Board current in the Co-operative Movement at the present day. (1) Some Boards of Management simply act as Vigilance Committees, and

do not actively manage or discuss or determine larger policies of the society. They simply act as the watch-dog of the members on some points of detail. They simply rubber-stamp the decisions of the officials. The Commission considers this to be an unsatisfactory role of the Board—unsatisfactory both from the view-point of efficiency or democracy, because the elected representatives of members neither take responsibility for nor exercise proper control over policy decisions made by the permanent officials. (2) At the other extreme, many boards conceive their role in terms of active management from day-to-day according to the second version of the role current in the movement. Even in large societies the Boards appoint all officials, determine all questions of remuneration and conditions of employment and decide where the shops are to be sited. They also interfere in matters of layout and design of the shops. They attempt through numerous Committee and Sub-Committee meetings to share the function of detailed management with their officials. In the opinion of the Commission, this view of the role of the Board is quite wrong, and the reasons assigned by it are :

(1) Boards that attempt active management in this way seriously misunderstand the nature of modern management and ignore the radical changes that have occurred in recent years in techniques. In the earlier years the question of management techniques scarcely arose. Societies were small, and often had one shop and the members' needs were few. Grocery retailing was a simple affair, well within the capacity of intelligent laymen. But the position has changed considerably today. The societies have become giants in business, the larger society controlling as many shops as its competitors—the multiple organizations on an average. Even the typical small society has a turnover of trade and stock assortment considerably greater than it was fifty years ago. Thus the trend towards increase in size has raised a new and more complicated managerial problem. Besides, in the opinion of the Commission, retailing itself has grown to be more technical, complicated and scientific. A revolution has occurred in the shopping habits and consumer tastes. All these changes call for increasingly expert and scientific management. No layman today, according to the Commission, can have a proper grasp of the more and more complex techniques of unit stock control, scientific stock assortment, budgetary control and forecasting and modern accounting

systems and so on. As a result, the gifted amateur is everywhere more and more at a discount. The layman must give way to the specialist. Management in retailing has become an expert and scientific profession. In these circumstances, the Commission considers that active management by lay committees becomes a dangerous anachronism. Management must be entrusted to the specialist officials who are equipped to carry it out. There is one more argument advanced by the Commission which is against the interference of the Committee in day-to-day affairs, as it is most unfair to permanent officials. Instead of concentrating their attention on the management of the society, officials are required to spend a good deal of their time in attending committee and sub-committee meetings, preparing elaborate minutes and reports, interviewing individual committee members and the like. Thus they would be unable to find time to sit back and plan ahead. Being fully occupied with detailed committee work, they would not be in a position to fulfil the essential functions of executive management. Besides, their morale is also affected on account of interference with their daily work, and the Commission opines that they get frustrated and even demoralized as they are being constantly watched over their shoulders and deprived of their authority. When the time comes for appointment of new officials, the society would find that the best potential candidates are unwilling to apply. Both the interests of efficiency and democracy must suffer if the part-time lay committeemen interfere in management, as the Board will not be able to find sufficient time to scrutinize the policy and future prospects of the society which would then become the responsibility of officials instead of that of the Board. In the opinion of the Commission, the position is often worse in societies where a system of permanent sub-committees operate. Committee members are bent on forwarding their own special interests, whether grocery or dry goods, and disputes and overlapping also occur between sub-committees with the result that there is a lack of co-ordination of overall policy. The major responsibility which the Board members owe to their members is in respect of more efficient ultimate supervision than what exists today. The line of demarcation between major policy and managerial function is quite indistinct, and in the opinion of the Commission, the following are the subjects which should be the responsibility of the Board :-

(1) The selection of the chief officials and fixation of their

salaries and conditions of work. The ultimate guarantee of democratic control lies in the existence of this power. Efficiency of the society will depend on how judiciously it is exercised. The Board should not appoint officials below the top level.

(2) The Board should lay down the general policy in regard to prices, dividend on purchase and reserve allocations.

(3) It should decide the rate of interest to be paid on members' capital.

(4) It must sanction all capital expenditure above a certain level, and it must approve of the capital budget showing how the plan is to be financed.

(5) It must receive from the chief officials regular trade and statistical reports and scrutinise them. These reports are intended to give maximum information and act as scientific check on efficiency.

(6) The Board must provide a continuous liaison with the membership besides being responsible for political and educational matters.

Thus the societies are advised by the Commission to make a clear division of the responsibility between the Board and the officials. Major policy decisions must be heard by the Board, but the executive control and the responsibility for carrying out decisions of the Board, must be with the chief officials who should be given the necessary full authority. This is the third theory of co-operative management which, according to the Commission, already operates in many societies under which the Board does not interfere in management but concentrates on deciding and sanctioning major questions of policy. This is the theory that is favoured by the Commission which believes. that the role allotted by it to the Board instead of diminishing the reality of democratic control actually enhances it. It gives to the elected Board tools of control more precise and powerful than occasional haphazard intereference in detailed management which is wrongly conceived to be control today. The real tools of control—the overall control of finance, scrutiny of annual capital budget, the use of scientifically selected figures acting as checks on efficiency and the selection of top officials—are relied on even by the full-time Boards of progressive, public and private concerns. The Commission, therefore, recommends that once the officials are appointed, they must be allowed and encouraged to get on with the job of managing subject to the

general directions of the Board and periodical checks on their efficiency. If the third theory of co-operative management favoured by the Commission were accepted, there will have to be a change in nomenclature from " Committee of Management " to Board of Directors, as the expression 'Committee of Management' gives a misleading notion of the functions of the Board today. It was alright in the days of the village society and pre-professional management. As regards the composition of the Board of Directors the Commission recommends only one change and, that is, the abolition of standing sub-committees of Boards, as the Board, according to the Commission, should meet less often than it does today. To carry out the functions assigned to the Board by the Commission, it is enough if it meets once in a month. A weekly meeting should be regarded as an absolute maximum. More frequent meetings might imply any one of the following things. In the first place, it is tantamount to an admission that the Board has appointed incompetent officials to run the society who require constant guidance or supervision from the Board, or the Board may be unnecessarily interfering in the day-to-day affairs of management of the society. If the division of functions between management and policy-making has been properly defined, there is no reason why meetings need to be held more frequently than once a month. Less frequent meetings would encourage the busy co-operators to offer themselves more freely for election. As a corollary to the above recommendation the Commission opines that the remuneration paid to directors should be paid on an annual basis, instead of on a basis of individual meetings attended as at present. One more recommendation made by the Commission is designed to strengthen the position of the Board and to assist it in carrying out its functions, is that the Boards of Directors should have access to expert guidance and advice from some national co-operative body. This, in the opinion of the Commission, would improve the efficiency of societies in that they are enabled to draw on a central reservoir of technical skill and experience. Such a body would also help the Boards by providing additional check on the efficiency of their society and the performance of their officials. Another problem that requires solution is the role of the individual co-operator and the apathy shown by him. It is no doubt true that in very large societies counting their members by thousands and lakhs, the degree of member-apathy is not only a threat to co-operative social

principles but also to the calibre of the Board itself as the candidates for the Board of Directors are often elected on an insignificant minority and in consequence to the efficiency of the society itself. The larger societies have no doubt tried to meet this situation by district meetings and indirect representation of members. The Commission favours the election by district members' meetings of a Council of some 60 to 70 members. This Council meeting twice a year would be the higher authority in the society. In addition to accepting the annual report and the balance sheet, it would elect the Board of Directors. This Council alone will have the power to alter the rules and is an intermediate body between a Board of directors and a general body of members.

The Structure of Management of Retail Societies.—Under this heading the following topics are considered:—

(a) Management Structure.
(b) Recruitment of staff.
(c) Salaries and promotions.
(d) Training in Management.

(a) **Management Structure**:–It is difficult to recommend, in the opinion of the Commission, a uniquely ideal structure which would be suitable for all societies. But the comments under this head should be taken as applying not only to the retail societies but also to the National Federations with suitable modifications. In the opinion of the Commission, there should be one Management structure wherever it may be. It further recommends that all large societies should if necessary, with the help of outside business consultants and the co-operative Union unambiguously define the duties of all top officials and the clear chain of command leading upto the Chief Executive Officer. This recommendation is made because of the fact that the Commission has found the top officials are seriously overloaded and overworked on account of excessive number of Board and Sub-Committee meetings. This may also be due to reluctance or inability on the part of top officials to delegate authority. In fact, there are too few senior managers in the co-operative movement to whom to delegate authority. There are also too few specialist managers. The Commission finds, to its surprise, that there were only eight full-time personnel officers and that in most of the large societies there was no advertising manager, no Public Relations Department, no Research and Statistical Organization, and no real Estate Officer and so on. As

retailing is becoming increasingly a specialized business today, the large societies are well advised to adjust themselves to this trend by increasing the number of specialists in management.

(b) **Recruitment of Officers** :—A most serious problem confronting the retail consumers' societies in future would be the recruitment of a proper type of staff and officials. Before the War the co-operative movement had also the entire native talent of the working class at its disposal, because only an insignficant minority of working class children had restricted opportunities for educational advancement, and their education could not, therefore, be carried beyond school-leaving age But today the position has altered considerably in the opinion of the Commission. The combination of the 1944 Education Act and a large increase in State and local University awards, has made it possible for an increasing proportion of working class children to continue their education beyond school-leaving age. Many more children, therefore, than before the War go to the University. The Co-operative Movement still recruits almost exclusively at the school-leaving age, cutting itself off from the sort of recruits who before the War were its outstanding leaders but who are now debarred from recruitment because they entered the University, under the present policies of co-operative employment. Thus the movement places itself under a handicap as compared to its most formidable competitors who follow no such restrictions. The question to be faced in this connection is : What will be the calibre of the succeeding generation when the present generation of co-operative top officials is gone, as the movement excludes all those who have climbed the educational ladder. Since many children of co-operators have today gone to the University or are at Grammer Schools, they are shut out from all hope of co-operative employment. The same thing applies equally to the children of thousands of their co-operative parents. In the opinion of the Commission, this is unjust to those who wish to serve the Movement and involves a waste of talent on a vast scale. In the highly competitive world of today, the Commission says, that the vast trading organization like the consumers' movement cannot survive on the calibre of its average staff. Ultimately it is the calibre at the top that counts, and it is in this respect that the movement is competing with its rivals with one of its hands tied behind its back. That is why the Commission recommends that the movement should recruit from

those with a Grammar school or university background. Even the medium societies can recruit a substantial proportion of candidates from the former source (Grammar School leavers) and give them training in management. Such recruits also should form an increasing proportion of the annual intake into the co-operative college. The movement should not make Grammar school education into a positive barrier to co-operative employment. This is not to say that the path of promotion to those diligent recruits who come in at 15 (years of age) should be blocked. They should also have an equal chance to rise, so far as recruitment from the universities is concerned. There is neither the scope nor the lead, according to the Commission. There is no place for a University graduate and even in the large societies the scope is limited, but the need exists in the national federations. The progressive retail organizations are more and more recruiting selected staff from the universities and it would be unwise for co-operatives to lag behind. Thus the Commission favours the injection of graduate blood at strategic points in the movement. There is, however, some opposition to this suggestion on the ground that a University graduate would not fit into the movement as he lacks a co-operative background. The Commission brushes this opposition aside by saying that it would not be hard to find graduates with a co-operative family background and the belief in co-operation and who would be willing to serve the movement happily. What the Commission really suggests is that there should be a selective recruitment on a limited scale. If graduates are recruited young, they will also have a life-time of practical experience. They will also start by getting an intensive practical training. Besides, advanced education is at least as essential as experience for many specialists and technical positions in management. The Commission makes two more recommendations on recruitment policy : (1) In all large societies selection and recruitment of school leavers should be the responsibility of the Personnel Department and not that of a Departmental Manager. As the selection is an expert business, it is the Personnel Department only that is properly equipped to carry it out. It has trained interviewers on it having a variety and length of experience. Selection should be treated as a responsible specialist job. (2) In the co-operative movement, the top executive positions are often filled in a somewhat haphazard way, while selections to such positions are made outside the Movement with great

care and systematic attention being paid to them. The contrast between the two, in the opinion of the Commission, is glaring. It is also becoming a common practice in the U.S.A. and Britain for firms to call in the help of business consultants to advise after the rigorous interviews and examination on the suitability of the various candidates are over. A similar function is performed in some of the large firms by a highly organized Personnel Department. On the Continent, however, according to the Commission, the co-operative movements have reacted to this need by the creation of Central Advisory Bodies which are regularly consulted by societies that want to make appointments. Even in the British Co-operative Movement some informal consultations do occur with the Co-operative Union or the Co-operative College. Thus the principle is not new. But in the opinion of the Commission, the health of the movement demands that the business of selection should be placed on a more systematic basis. That is why, the Commission recommends, the establishment under the auspices of the Co-operative Union and closely linked to the College of an Employment Advisory Service. This would, as in the case of the University Appointments Board, form a meeting place for prospective recruits and potential employers. Such an institution would offer its services on an economic fee-paying basis and confine its attention only to the top levels of management. In the first place, this body would prepare, according to the Commission, a central list of officers with their qualifications and careers by inviting such officers to register their names with it. In so far as actual selection is concerned, the Advisory Services would be able, if approached, by any society to conduct interviews of the candidates and draw up a short list and advise the Board of that particular society on the respective merits of candidates interviewed, the final choice remaining of course with the Board itself. The Commission suggests that this service should be on a voluntary basis.

(c) **Salaries and Promotions** :—It is not enough for the movement to widen its services and improve its methods of recruitment, but, in the opinion of the Commission, the potential recruits must also come forward and apply for employment. In short, not only the demand but also the supply must be ensured. Whether proper candidates would be available would depend on the level of salaries, the prospects for promotion, pension arrangements etc. The Commission has found that co-operative sala-

ries in general are substantially lower than those paid by the movement's main competitors for all ranks from the Chief Official down to the potential management trainee from Grammar School. It is no doubt true that many societies pay above the minimum N. U. C. O. scales but the excess payments are modest. In the opinion of the Commission, the question of salaries is rather difficult in the movement, as it is only human nature that members of Boards should hesitate to pay officials much higher income than they themselves get in other outside occupations. Nevertheless, the movement, in the opinion of the Commission, must face the fact that the ideal of social equality is not going to be advanced by following a policy of low co-operative salaries, and one certain consequence of such a policy will be that the area of co-operative trade and co-operative control of economy will shrink and that of capitalist control will grow. It is only the State that can bring about greater equality by its action and it cannot be achieved by isolated action in one sector alone. The question of payment of adequate salaries has become urgent today because in the past the greater security of co-operative employment was a powerful inducement, but under conditions of full employment it is no longer the case. As compared with private enterprises the ideological satisfaction of serving the co-operative movement is and should be an inducement. But as against this the principle of democratic control of the co-operative movement creates certain problems for the co-operative officials, according to the Commission, which do not exist elsewhere. They may have also less independence vis-a-vis their Boards. There is also a greater tendency for promotion by seniority rather than by merit, and there is less opportunity also for individual initiative. In the circumstances, therefore, the Commission recommends that both retail societies and the national federations should adopt a more generous attitude towards salaries, while considering the recruitment of managers in future, and in that event only the Board should be in a better position to dismiss officials for slackness or incompetence. In recommending the adoption of a liberal attitude the Commission warns that it is not asking the movement to copy the higher salaries or the lavish expenditure of the private sector, but it definitely opines that future salary levels must have to be higher than those paid today. It is not only the salaries that must be competitive—the same must also apply to pension schemes. It should be remembered that the

skill of top management is a rare one and it cannot be bought on the cheap. The future of the movement will depend in no small measure on its success in attracting a due share of this skill. As regards the prospects of promotion, the Commission has found that there is a bias in the co-operative movement for promotion by seniority, though weaker than in the past, but it is still stronger than in private trade. In the opinion of the Commission, it is not comparable with trade expansion in the highly competitive world of today, nor is it consistent with the ideal of equal opportunity. The best men must be permitted to reach the top not only in order to ensure trading efficiency of the movement but because future recruitment and managerial morale would largely depend on the knowledge that merit is the sole criterion for promotion. Thus the Commission recommends that societies should base their promotion decisions solely on ability and qualifications as otherwise the Boards of Directors betray the duty they owe to their members to conduct the affairs of their society at the highest level of efficiency.

(d) **Training in Management** :—As the techniques of management have in modern times become more complex, more specialized and technical, the question of training for management assumes greater importance. A completely new attitude to the training of officers is not called for according to the Commission. The co-operative movement has a natural advantage in that it has an enviable asset of a residential college of its own. A higher proportion of co-operative officials than of managers has had some sort of training than in any comparable distributive organization. In the opinion of the Commission, so far as the job training of new entrants at the assistant level is concerned, the position is satisfactory. The recommendations of the Commission are that in all large societies this training should be the responsibility of a specialized Personnel Department and not of the Education Committee which should concern itself with non-technical education. Secondly, the enlarged Labour Department of the Co-operative Union should give more advice to societies than it gives today. As regards the training of the potential managers of tomorrow, the position, in the opinion of the Commission, is less satisfactory as the resources of the Co-operative College are not being used to the maximum advantage. The fault in this respect mainly lies on the side of societies and there is lack of any system of management

trainees in most of the societies. The Commission urges that all societies excluding the very small ones should adopt such a system, and they should select their most promising material in the 20-25 age group and give them intensive training both on the job and outside it as the potential senior officials of the future. As regards selection of proper personnel for training, the matter is somewhat haphazard. Many societies take very little interest in who goes and who does not go. Some are even reluctant to release their best potential candidates. The selection is largely a matter of self-selection dependent on the determination of the individual, in the opinion of the Committee rather than the training policy of the society, with the result that the College does not always get the best material, and students also often find their prospects of promotion little improved by such attendance and training at the College. What the Commission recommends is that the selection of candidates should be integrated with an explicit and purposive system of management training, and that there should be a definite link between selection and promotion in future. The societies are, therefore, advised that they themselves should select for the College those whom they have already picked out as Management Trainees. As regards the content of co-operative training, the Commission offers one criticism in that such training exaggerates the extent to which the techniques of co-operative retailing differ from those of other forms of retailing. In the opinion of the Commission, they differ only in two major respects : (1) accounting, and (2) the unusual relationship of the officials to the democratically elected Board of Directors. In other respects, requirements of Management training are the same in co-operative as in private training. But the implied belief to the contrary, the Commission adds, has led to conservatism in the field of ideas, techniques and innovation, and the Commission has found that there is too little exchange of knowledge with the private sector, too little awareness of new developments at home and abroad, leading to a certain amount of technical backwardness in co-operative managerial practice. In order to reduce this, the Commission has made specific suggestions on the assumption that the Co-operative College remains the basis of co-operative training for management.

(1) The Education Department should experiment with the appointment as College tutors in the technical field only those with a non-co-operative retailing background, provided they bring

with them new experience and are in sympathy with the ideals of the co-operative movement.

(2) There should be relatively less emphasis on purely co-operative certificates and diplomas and greater readiness to consider accepting and teaching for outside national certificates (such as the new certificate in retail management, the National Retail Distributive Certificate and those awarded by the British Institute of Management) or by other more technical bodies. The Commission does not imply by this that the distinctive element of tuition in co-operative principles and social studies should disappear. On the contrary, it should be retained and added to the technical teaching required for the outside certificate.

(3) More use should be made of the facilities provided by the outside Institutes such as the College for the Distributive Trades, the British Institute of Management and the Administrative Staff College.

(4) The question of co-operative accounting practice should be examined once again. The existing practice is both unnecessarily confusing to the co-operative member and unnecessarily different from what is normal in the outside world. It should be simplified so as to approximate to normal accounting practice.

The Commission has found that the most serious deficiency in the distributive trade as a whole is the lack of " executive development " courses for older men (30-40 age group) in the middle ranks of Management, who are desiring to reach the top. For such people, the Commission recommends, that a more systematic programme of intensive one month or two months' courses for those above the Branch Manager level should be considered by the Education Department.

22. Co-operative Co-partnership Societies or Co-operative Producers' Societies :—In addition to the consumers' retail societies and their federations and the wholesale societies, there are a number of co-operative producers' societies in England engaged in production of goods on a co-partnership and profit-sharing basis. They are registered under the provisions of the Industrial and Provident Societies Act. Although many of the self-governing workshops started by the Owenite missionaries had failed, there was a revival of interest in this form of co-operation. The producers' society was looked upon as an immediate means of emancipating the worker from the appalling conditions

the industrial system had given birth to. It was argued that the worker in association with some of his fellow-workmen gets together a few tools, hires a workshop and becomes self-employed, so as to create his own little kingdom and work within it, instead of making profits to enrich others. The Christian Socialists spent a good deal of their money in making experiments with their pet idea of a self-governing workshop, as they wanted to rescue the workers from poverty, sin and materialism. Any society of workmen, it is obvious, would be hard put to it to raise large sums of money in order to organise an enterprise if it was intended to run the business without outside financial assistance. It is no doubt easy to start a self-governing workshop where relatively little capital is required and the main item of cost is labour and not machinery. Difficulties do arise where the initial capital required is considerable and where machinery is required to begin work. Failures are often the result of too much interference in the larger enterprises by amateurs and by too little supervision by technically qualified management. Another factor responsible for failure is the tendency on the part of Managements to pay sufficiently attractive salaries to the Managers owing to the lack of appreciation on the part of workers working with their hands the quality of intellectual work requiring the exercise of intellectual powers. Despite these drawbacks, co-operative producers' societies have their own advantages in that they enable labourers employed in business to become their own employers who can appoint their own managers and foremen, borrow capital, if necessary, and undertake the risks of business. So Co-operative production has to be valued for its own sake as it is real democracy in business management inasmuch as it abolishes the entrepreneur class in industry. That is why attempts were made to build up a producer movement in England, and there were no fewer than 163 producers' societies in the period from 1862 to 1880. While these attempts were mostly unsuccessful for various reasons, the two Wholesales were better able to invade the field of production than the producers' societies themselves, In the face of opposition from the Christian Socialists who wanted to preserve the functions of production for a special class of producer co-operatives, on the ground that infiltration of the wholesales would destroy any chance of self-government in industry being established. While the advocates

of the theory of consumer control pleaded that the consumer society had the right to produce goods required by its members, the supporters of the co-operative producers' movement pleaded for the establishment of a series of independently working societies, consisting of producers as a separate wing or sector within one movement. Thus both the wholesales and the producers' societies competed in the field of production of similar goods without any line of demarcation being drawn. In the face of powerful competition of the two Wholesales the producers' societies eked out their precarious existence and their viewpoint was little appreciated at the time. There were at the end of 1955 eight societies in the clothing and allied trades, thirteen societies making footware, four engaged in printing and seven societies in miscellaneous trades. They had a membership of 1,044 persons having a loan and share capital £ 17,05,744 and reserve and insurance funds aggregating £ 10,19,552. Sundry liabilities including creditors and overdrafts and disposable balance were respectively £ 4,82,472, and £ 1,52,791 respectively. The assets of the producers' societies consisted of the following items :—

		£
(1)	Stock-in-Trade and work-in-Progress.	12,66,807
(2)	Land, buildings and plant.	4,61,526
(3)	Investments.	6,32,072
(4)	Debtors after deducting reserve for bad debts.	5,18,013
(5)	Cash on hand and Bank Balances.	2,62,604
(6)	Sundry Debit Balances.	2,19,507
	Total Assets	£ 33,60,529
Other items :		
(7)	Sales.	52,44,446
(8)	Share Interest.	24,09,007
(9)	Net Surplus.	2,22,988

The allocation of net surplus between capital, labour and purchasers was as under :—

(a)	Capital	7,481
(b)	Labour.	67,876
(c)	Purchasers.	48,727

The societies employed 4313 workers and the wages paid at the end of 1955 amounted to £ 15,50,040. What happened

in the case of retail distributive societies also happened in the case of these societies also. In the year 1882, the Co-operative Productive Federation was started under the inspiration of leaders like Vansittart, Neale and Edward Owen Greening, with the object of strengthening and encouraging existing societies and assisting in the formation of new ones. The Federation was also intended to be a business agency for them. Later, exhibitions of goods produced were organized, a loan fund was created in order to assist societies requiring finance for help, and the interest of trade unions was reawakened in these societies. Arrangements were entered into with consumers' societies in order to obtain capital and the consumer co-operatives subscribing to the share capital of these societies were also given some representation on the Managing Committees. The Co-operative Productive Federation admitted to its membership only those societies that recognized the following three principles :—

(1) The employees must be able to hold shares in the firms engaging them.

(2) They must have the right to participate in management.

(3) They must enjoy the right to share in the profits.

30. Review of the Working of Producers' Co-partnership Societies for the year 1955.

As already referred to, their number declined to 32 at the end of 1955. Members of co-operative producers' societies may be classified as (a) workers, (b) co-operative societies, and (c) individuals and trade unions. The subjoined table indicates the distribution of membership, over different groups of societies.

	No. of societies in each Group	Total membership	Workers	Co-operative Societies	Trade Unions and others
Group A	8	4479	1139	1710	1630
Group B	13	5099	1287	1565	2247
Group C	4	1048	211	186	651
Group D	7	1518	951	166	401
Total ...	32	12144	3588	3627	4929

The above statistics show that out of total membership 29% were workers, 30% co-operative societies (mostly consumers' societies), and 41% Trade Unions and other members. Comparing the number of workers who are members to the total number of workers, the figures were as follows :—

Group A	59 per cent.
Group B	82 ,,
Group C	90 ,,
Group D	76 ,,

522 persons were members of the Stevedores' Society who do casual work for their society and 203 persons were not members, as they were under the age of 18, the most usual age for admission to membership. Besides, part time and temporary workers are not admitted to membership except in the case of the Stevedors' Society where all the labour is casual and all workers are members.

(a) **Capital** :—The capital of the affiliated societies mostly consists of share capital contributed by members. Each share is of the value of £ 1 fully paid-up and the statutory maximum limit of individual share-holding is fixed at £ 500. In the case of worker-members their shareholding is built up to a specified minimum of £ 20 or £ 25 by an accumulation of bonus on wages. Bonuses are not allowed to be withdrawn in cash until a minimum holding is reached. The aggregate share capital amounted to £ 7,01,086 and its distribution among different types of shareholders was as follows :—

Category.	Number	Amount £	Percentage of total
Workers.	3588	1,65,948	23.67
Co-operative Societies.	3627	2,88,591	41.16
Trade Unions.	37	7,159	1.02
Others.	4892	2,39,388	34.15
	12144	£ 7,01,086	100.00

These figures show that the consumers' societies held 41% of the total share capital of the societies and that an insignificant portion was held by trade unions.

(b) **Employment of Capital and Turnover** :—From the Statement of assets given in an earlier para, it will be seen that 67%

of the total assets consisted of trade stocks properties and debts; the rate of stock turnover (sales divided by stocks) was four times. The following figures show the proportion of sales to the co-operative movement, Central and local Government work and other trade for the year 1955.

	£	Percentage to total
1. Co-operatives.	41,42,239	78.98
2. Central & Local Government.	2,05,202	3.91
3. Export.	2,50,903	4.79
4. Other Trade.	6,46,102	12.32
Total £	52,44,446	100.00

The clothing and footwear societies traded almost exclusively with the co-operative movement. In the case of printing societies, there was no export trade but it may be noted that 'other trade' included considerable trade with trade unions and labour organizations which cannot be classified as either co-operative or Central or local Government trade. The miscellaneous group of societies includes societies which have a large proportion of export trade and trade with Government bodies and other organizations.

(c) **Share Interest** :—It may be noted that in no case may the ordinary interest on share capital and the rate of additional interest on share capital paid out of net surplus exceed 7 %. This limit has been fixed by the Registrar of Friendly Societies. Barring five societies, the rest paid interest at the rate of 5% or more.

(d) **Trading Results and Distribution of Surplus** :—Of the 32 societies, 6 clothing societies showed increased surpluses, one a loss and one a decreased surplus, while only three footwear societies showed increased surplus and one showed a heavy loss and has since been liquidated. Of the four printing societies, two showed increased surpluses and miscellaneous societies had also increased surpluses, two decreases and one a loss. Of the thirtytwo societies, thirteen paid dividends on purchases to customers at rates of 1 to 2 per cent. Bonuses on wages were paid by 23 societies at rates between 2 and 10 per cent. Seventeen societies paid a bonus on share capital, usually making the total rate of interest and bonus up to 7%, which is the maximum rate fixed by law.

(e) **Advantages of Co-operative Co-partnership in Industry**

and Possibilities of Future Development :—When the total trade of the producers' co-operatives is compared with that of the C. W. S. and the S. C. W. S., it appears insignificant but it would be certainly a mistake to judge the value of these undertakings by trade figures alone. What is more important is that these organisations set high standards of workmanship and establish the fact that co-operative co-parternship methods give the employee a legitimate pride in his job and a feeling that he is a partner in the undertaking receiving a just return for his labour. As a result, industrial disputes so common elsewhere are avoided, as the worker feels that he is his own employer, and that as the share of profits is fixed by the Committee in whose elections he has a hand, he becomes conscious of the fact that to strike in the circumstances would be nothing short of slapping his own face. Still, however, despite these advantages, why the movement is not getting forward is a riddle, but on the contrary, a declining trend is in evidence. The reason why these societies have not been making much headway is found in the State socialist propaganda that these industries which are co-operatively organised would be taken over by the State. Another reason is the apathy of the trade unions in regard to producer co-operation. Perhaps a third one too is that as the old hands die off, it becomes pretty difficult to maintain the pioneer spirit. Though the Co-operative Productive Federation is the sponsoring agency of this form of co-operation, there has been a comparative standstill and even decline because co-operation must grow from below and cannot be forced from above. A more serious factor explaining the lack of progress of the co-partnership co-operatives is the feeling prevalent within the co-operative movement itself that producer co-operation is a doubtful form of co-operation which can be dispensed with easily without any serious loss to the co-operative movement. This is a mistaken attitude particularly noticed on the part of the wholesales who are exhorted by G. D. H. Cole to take a more sympathetic attitude towards the rival group of co-operatives within the movement. There is certainly scope for the co-operative co-partnership method in cases where specialist and local attention is necessary and where centralised administration works as a handicap. For example, the creation of Building Departments by retail distributive societies is a step in the wrong direction for solving their building pro-

blems. A new development which is an encouraging sign of the time lies in the creation of two new types of co-partnership societies : one—a society of Stevedores—is a society of self-employed persons making experiments on the dockside at Grimsby. It is neither exploited nor exploiting others. This is an enigma to a Trade Union official. The second type consists of societies of technicians like Co-operative Planning Limited and " D.A.T.A." the film-producing unit. There are other professions as well which can be brought within the ambit of producer co-operation, for example, authors, journalists, lawyers and other professional men might find in this type of co-operation a real ally. Such a society has been established in Dharwar for authors and journalists in the Mysore State, India. This form of society exhibits a form of self-government which brings in certain administrative economies without the risk of over-centralization.

The Co-operative Productive Federation, Ltd.

Preliminary :—In 1882 there were twenty producers' societies in existence, their total output exceeding that of the C. W. S. In the same year, the Co-operative Productive Federation was started with the object of strengthening the existing societies and carrying on propaganda for their development. The objects of the Federation are stated to be :—

(1) To promote unity of action,

(2) To obtain capital for development, and

(3) To open up markets for the sale of goods.

The special objects as provided in the Rules of the Federation are :

(a) To carry on the industries, businesses and trades of commercial agents, supervision and advising agents, bankers and general dealers, both wholesale and retail;

(b) to provide for the appointment of an organizer or organizers or other means for the purpose of propagating the principles of co-partnership; and

(c) to carry on dealings in land.

2. **Membership :**—Membership of the Federation is open to societies or companies whose rules admit the workers employed by them to membership and to participation in the division of profits dependent on their wages. The C. P. F. Model Rules also provide that employment by a society shall not disqualify

a member from being a committeeman. Thus these three basic principles are insisted upon as a condition precedent to the membership of the Federation. Before admission to membership an application on a special form and the agreement in Rule 101 which lays down the scale of subscription have to be signed by a society. The application form referred to above states that the C. P. F. Ltd. has the right to appoint its own qualified agents to supervise the book-keeping and general management of a society for such periods as it deems advisable. The agreement provides that the member-society must purchase and use the books and forms which have been arranged and printed by the Federation. It is also mentioned that the society should also pay for the cost of supervision and the books and costing forms. An entrance fee of sh. 5 has to be forwarded with an application form which is returnable on refusal of membership.

3. **Capital** :—The capital of the Federation is raised in transferable shares of a nominal value of £1 each, but only sh. 1 is paid on allotment. Each society must hold not less than one share for every five of their own members. Loans are to be accepted at a rate not exceeding 5%.

4. **Finance (Income)** :—The Federation has several sources of income as mentioned below :—

(a) *Subscriptions* :—The subscription rates to the Federation are divided into two parts. Under Part (a) 1% of the net profits of each member-society is payable annually with a minimum of £ 1 and a maximum of £ 500. Under Part (b) in addition to the subscription under Part (a), an annual subscription is payable based on the total trade of a society for the year, according to a graduated scale, or such percentage of the scale as may be determined at the annual meeting with a minium of £ 10 and a maximum of £ 100.

5. **Control over Business** :—The control over business of the Federation is in the hands of representatives of society-members assembled in general meetings. Two ordinary meetings are held—the annual meeting in March at which the balance sheet and accounts are considered and the half-yearly meeting in October which receives a report of the business for the preceding six months. Special meetings are convened by the Secretary either on an order of the Executive or upon a requisition signed by half the number of members, if not more than forty, and if over forty members, signed

by twenty members. The quorum for general meeting is seven.

6. **Voting at Meetings** :—Voting is generally by show of hands unless a ballot is demanded on any question by five members. Only accredited delegates may vote, provided they hold the requisite number of shares and are not in arrears of subscriptions. The representative of a society is allowed one vote for the first £ 10 or part of £ 10 subscribed to the funds of the Federation. For the period of twelve months one more vote is allowed for each £ 10 subscribed up to a maximum of three, whatever amount over £ 30 is subscribed.

7. **Executive Committee** :—The business of the Federation is carried on by an Executive Committee of elected members and the President, one-half retiring annually. The President, is however, elected annually. A person nominated may be a member of the nominating society or of any other society which is a member of the Federation. Employment by the Federation does not disqualify a member from being a member of the Executive Committee, but no employee has ever been nominated. Members of the Executive Committee and the officials of the Federation meet once a month and the President presides over these meetings. The minimum number fixed for a quorum is six and sub-committees are formed for special purposes when occasions arise. There is a Standing Exhibition Sub-Committee.

8. **Activities of the Federation** :—The work of the Federation in pursuit of its objects takes many forms. The general secretarial work of the Federation covers a wide field. Apart from the general advisory functions, the Secretariat is responsible for the monthly publication of the "*Monthly Productive Review*" and the annual "*Co-operators' Year Books*". It issues also numerous pamphlets, booklets, posters and a weekly news bulletin. In addition, the Secretariat is responsible for exhibits at the Annual Co-operative Congress Exhibition and other Exhibitions held from time to time. It is also responsible for the following items of work :—

(a) Advertising on behalf of member societies.

(b) Compilation of statistical reports and general economic and market research.

(c) Press relations and public relations, generally on behalf of member-societies.

The Footwear societies have formed a Sub-Committee for

the purpose of advertising and have built up a special advertising fund. The Secretary of the C. P. F. is also responsible for the secretarial work of this Sub-Committee.

(d) Auditing and Joint Invoicing. The Auditor and Accountant in the employment of the Federation conducts the Audit and Joint Invoice Department, in addition to rendering advice on accounting and taxation matters to the affiliates. The Audit Department carries out the audit of societies that elects the C. P. F. Accountant as their Auditor, and it also undertakes auditing service for some of the retail societies and similar concerns. The Joint Invoicing Department is of value not only to the member-societies but also to their customers. The principle on which it operates is quite simple. Copies of invoices issued by member-societies using the Joint Invoicing Department are forwarded to the Federation, which keeps a ledger account for the society and its customer. The Federation issues a monthly statement to co-operative societies that have bought from all or any of the productive societies. The retail society has to make out only one cheque since it has opened only one account with the Federation. The productive societies are in turn paid by one cheque from the Federation for the aggregate of the many accounts they may have with co-operative societies. This service costs those who use it only $\frac{1}{2}$% of the amount of the turnover passed through the Invoice Department, though some portion of this is refunded to the societies each year. Those wishing to form a productive society are assisted by the Accountant and the Auditor of the Federation. In the matter of drafting of special rules, the C. P. F. has framed model rules and those wishing to adopt them have to obtain the permission of the Executive. The organizers may get their society registered at a lower fee and save time also, as the Registrar has already accepted the model rules of the Productive Federation.

9. **The Co-operative Co-partnership Propaganda Committee :—** A plan for joint educational and propaganda work was outlined some years ago by the Secretary, C. P. F. In 1918 the Federated Societies' Labour Co-partnership Association set up a joint committee under the title of "Co-operative Co-partnership Propaganda Committee." A new constitution for this Committee was adopted in 1925 and the object of the Committee as stated is as follows :

To bring about an organization of industry based on co-operative co-partnership, i. e., the furtherance of the principles

of industrial democracy, by which the worker shall share in the control and results of that industry. This Committee undertakes both educational and propaganda work among co-partnership societies' workers and by means of Conferences and Scholarships it serves the wider co-operative movement. The C. P. F. contributes to the funds of the other bodies such as the Co-operative Union Ltd., the International Co-operative Alliance, and the Co-operative Party and to various other organizations.

10. Officials and the employees of the C. P. F. :—The chief officials of the Federation are the Secretary, the Auditor and Accountant and the Publicity Officer. Any employee suspended by the Secretary may appeal to the Executive who may reinstate or discharge him providing him with an opportunity if he exercises to do so to refer his case to a Board of Conciliation.

11. The Gaitskell Co-operative Independent Commission makes no specific recommendations as to the control of productive societies affiliated to the C. P. F., as it is a matter for their own autonomous decision. The general recommendations made by the Commission relating to managerial efficiency and production policy are equally applicable to retail as well as wholesale societies and they may be taken as applying to them with suitable modifications. The main concern of the Productive Societies in recent years has been with the co-ordination of retail demand and the Commission emphasises its conviction that the main responsibility for keeping the factories fully utilized must rest on the producer and not on the retail societies. To the extent that regional buying groups are formed, the C. P. F. would be associated with them. If a joint Anglo-Scottish Committee were set up as suggested by the Commission, the C. P. F. can be represented on it. In the opinion of the Commission, the quickest way to solve the production difficulties of the C. P. F. would be to raise the level of factory and sales efficiency up to the high standard already reached by a few productive societies.

23 (a) Employees and Wages :—

(A) During 1955 the employees of the retail distributive societies, numbered 2,80,109 of whom 2,41,104 or 86.08% were those who were engaged in distribution and transport services, while the rest, viz., 39,005 or 13.92% were in production and service. The amount of wages received by the employees was £ 9,95,89,091 which was £ 79,29,720 more than the wages paid in 1954. The

subjoined table gives the average wage per employee for distribution including transport and production, and the wages cost of distribution per £ of sale for a period of three years ending 1955.

(A)

Year	Total Wages	Production and Service Wages	Production and Service Average wage per employee
1953	£ 8,73,27,589	1,48,18,518	362.36
1554	£ 9,16,59,311	1,50,97,C63	378.93
1955	£ 9,95,89,091	1,59,73,914	409.54

(B)

Year	Total Wages	Distribution including transport Wages	Distribution including transport Average wage per employee	Distribution wages cost per £ of sale
1953	£ 8,73,27,589	£ 7,25,09,041	308.3	32.9
1954	£ 9,16,59,311	£ 7,65,62,248	324.3	23.3
1955	£ 9,95,89,091	£ 8,33,15,177	346.8	23.9

23 (b) Co-operative Employment and Labour Relations :— The above statistics indicate that at the end of 1955 the total number of employees engaged in co-operative service stood at 3,82,866, out of whom 67·5 per cent. were in distributive trade, while the rest were engaged in productive services. This large army of employees in the co-operative service provides really a test of the social gospel of the co-operative movement. The questions posed in this context are :

(1) How co-operative employees are treated by their co-operative employers ?

(2) How do the conditions of service compare with those under private trade ?

There were no labour problems within the framework of the co-operative movement until the societies had become employers of labour to any great extent, either in their own shops or in the

factories of the wholesale societies. The conception of collective bargaining was foreign to the employers in the earliest stages of the growth of the co-operative movement and all parties would have been satisfied at one time if conditions of service conformed to Trade Union standards. But gradually opinion was inclined to the view that the conditions of service under co-operative employment should be superior to those under private employment. Co-operative societies paid their employees more for a somewhat shorter working day than the neighbouring small shop-keepers. This is so because co-operators are in sympathy with the aims of labour and take pride in being leaders for raising the standards of living of workmen. In many co-operative societies trade union membership is a prerequisite condition of employment. Wages and conditions of service are, therefore, negotiated by Trade Unions and the agreements entered into are generally honoured. The Trade Unionists always urge that the conditions of service under co-operative employment should be superior to those under private trade because they can in that event cite the superiority of co-operative service as an argument for raising the general level of employment conditions. There is equally another strong and opposite view that Trade Unionists should not exact better conditions of service from co-operatives than those under private trade because whatever concessions may be given to co-operative employees, they enter into costs of running the business and co-operative societies that spend more on their establishments will be placed at a serious advantage while competing with private trade agencies and shop-keepers. There is also a middle view according to which not all the concessions given to workers can be considered as losses, and there should, however, be a limit to which co-operatives as employers can concede in favour of their employees. Conditions of service and wages are after all a matter of prices and costs and Trade Unions do not, unfortunately, study the circumstances in which co-operative are placed in regard to costs and prices and do not also discriminate between co-operative employees and private employers. As a field for Trade Union activity the distributive trades were not so promising and the distributive workers suffer even now as the industrial worker regards himself as superior to a distributive worker on the ground that he creates value. When the C. W. S. ceased paying bonus to its employees, it was felt that its labour had to come down nearly to the

level of wage-earner, but the wages themselves ought to compare favourably with those paid by private business. Thus the association of co-operative employees was formed and these associations were useful in persuading the general meetings of individual societies, conferences of co-operators, including the Congress itself, in order to improve the conditions of service of employees. In 1908 the Congress accepted the demand of the amalgamated Union of Co-operative Employees for a minimum living wage as the women's guild also had put up an agitation for a minimum living wage in the case of women. In the application of this principle the A.U.C.E. had in its mind the strike as a weapon of enforcement and its membership had been extended to the whole field of co-operative employment. In order to deal with disputes a joint committee of Trade Unionists and co-operators had been formed as early as 1893. It acted in disputes affecting the official Trade Unions but the co-operative societies created their own Hours and Wages boards in order to deal with the claims put forward by the A.U.C.E., which was neither a craft union nor a trade union. As such, the A.U.C.E. had quarrels with the T.U.C. and withdrew from the latter in 1916. In 1921 the A.U.C.E. amalgamated with another Trade Union which was a Union of Workers in the wholesale trade only. It joined the T.U.C. again as the National Union of Distributive and Allied Workers. (N.U. D.A.W.). The Joint Committee of Trade Unionists and Co-operatives being overwhelmed with the pressure of work died a natural death in 1925. It has been already mentioned that many societies encourage their employees to be Trade Unionists. It was realized that without a strong negotiating machinery co-operatives would be at a serious disadvantage while negotiating with their employees in regard to accepted wage standards and conditions of work. District Boards within Co-operative Union Districts had been formed and these were converted by the Congress in 1921 into District Wages Boards consisting of representatives of all types of societies in the Union District and of District Councils and of representatives of Sectional Boards. At the next rung of the ladder is the Sectional Wage Board consisting of one representative of each of the District Wages Boards affiliated to it and of one member of the Sectional Board of the Co-operative Union. At the top is the National Wages Board made up of two representatives of the Central Executive of the Union and two of each of the

Sectional Boards and of the Metropolitan District—which is regarded for this purpose as a section. The creation of the machinery for conciliation is due no doubt to the good sense and a mutual readiness to see the other man's point of view on the part of co-operatives. The co-operative movement was determined to banish strikes and lock-outs and leave nothing to chance. Most of the agreements affecting the wages and conditions of employees are negotiated between the National Wages Boards and the Trade Unions catering for co-operative employees. The district boards are assisted by a part-time Secretary while a full-time Secretary is appointed for the sectional boards. The secretarial work of the National Wages Board is done by the Labour Adviser and his staff in the Labour Department of the Co-operative Union. After the abolition of the Joint Committee of Trade Unionists and Co-operators, a new machinery of conciliation was created under the title of the National Conciliatory Board for Co-operative Service. This Board consists of twelve members, six representing workers and six representing employers with an independent Chairman. Two of the members of the either side must be persons not involved directly in the matter in dispute. Members from either side are drawn from panels appointed by each side. Similarly, there is a panel from which an independent Chairman is selected. The Board has functioned since 1926 and matters on which agreement has not been reached must be referred to it within seven days and it must decide the dispute within 14 days of the reference. Decisions must be reached unanimously by adopting a resolution or a proposition, and failing this, if both sides agree, the matter should be decided by majority vote, or by the arbitration of an independent Chairman. The Board has served both the parties well, although there were occassions in the past on which its machinery was subjected to great strain. The wages and conditions of co-operative service are generally better than under private employment. Under conditions of full employment and a five-day week, attraction for service in distributive trade has been on the decline, and there has been competition for employment in productive services. The gap between the highest paid industrial worker and an ordinary worker in the distributive trade does remain unbridged. In 1954, superannuation schemes were introduced under which 2,49,051 employees belonging to 604 societies and their Federations were covered, leaving 386 societies and

federations with 20614 employees without having any such scheme. These societies are too small to have any such scheme, but the Labour Department of the Co-operative Union calls upon such societies to federate with neighbouring societies for the purpose. The attraction of a five-day week and prospects of better wages in industries have placed distributive trade at a considerable disadvantage in competing for juvenile labour. Margins in distributive trades were kept low during the War and these have influenced the present levels under more competitive conditions of today. To grocery and provision trades which account for nearly 75% of co-operative trade this applies with greater force as the attitude of industrial workers to the prices they pay for their groceries and provisions is a limiting factor to an increase in wages of workers in these trades. Thus the wages policy of the co-operative movement in these trades is only a happy mean between what is desirable and what is possible. As regards the participation of the workers in the management of retail societies, the position was for some time far from clear and it is believed that consumer societies could not go far in the matter without giving up a vital principle. The trade unions catering for the co-operative employees also have not proceeded far nor have they contributed anything of value to the solution of the problem. The N.U.D.A.W. has made no contribution to the development of the theory of industrial democracy. It may be noted that employees of many societies have attempted to capture the management of societies where the rules of societies do not prevent this. In a number of societies rules permit of a limited number of employee-members, usually two, to sit on the Managing Committee if they are elected by the ordinary members in the General Meetings. Where no limitations exist, all the seats may be held by the representatives of employees. The employees are of course interested in the efficient working of the societies employing them and they would certainly stand to lose if things go wrong, but it is equally true that when the interests of the employees clash with those of the societies, the employees are more inclined to look to their own interests rather than those of the societies they are serving. As a satisfactory arrangement it may be suggested that employee-members should be permitted to elect a definite number of the Managing Committee from their own rank and file as a matter of right, leaving the General Bodies to elect other members. In a sample-survey of 110 societies, taken with a view

to ascertaining the proportion of representatives of employees members on the Management Committees, the following statistic throw light and explain the position. (vide Jack Bailey:page 139.*)

(1)	Total Number of Societies surveyed.	119
(2)	Total Number of Managing Committee Members in (1) above.	1356
(3)	Total Number Employee-members in Managing Committees.	218
(4)	Percentage of employee-members to aggregate No. of Committee members.	16.0
(5)	Details of representatives of different categories of workers on the Managing Committees—	
	(a) Shop Assistants	24
	(b) Branch Managers.	86
	(c) Clerical Administrative Workers.	31
	(d) Other Grades.	34

In the case of those societies whose managing committess consist of a majority of employees on it, it is not possible to expect a disinterested management.

23. (B) In the opinion of the Independent Commission, if the co-operative movement were compared with the most progressive nationalized and private concerns, the co-operative worker is by no means necessarily better. It further adds that at the national level neither the retail nor the wholesale wing of the movement has any joint consultative machinery with the trade unions with which matters other than wages and conditions can be discussed. At the local level few societies have consultative machinery, and the attention generally paid to personnel problems is quite inadequate. The Commission has also noticed that there is also a lack of guidance from the centre on such questions as the incentive schemes, training, recruitment and the like. Practically at all levels there is a lack of confidence between the trade unions and the managements of co-operatives. The fault lies, mainly in the opinion of the Commission, on the side of managements. The co-operative movement, it may be noted, has not fully kept pace with rapid improvements in personnel management during the last two decades, according to the Commission. Progressive

large-scale concerns, the Commission adds, regard personnel management and human relations as being a specialised aspect of management function. They study it seriously and systematically. They have large personnel departments staffed by specialists. They maintain close contact with Universities. They call in outside experts to assist them frequently. They keep abreast of developments in the field of industrial psychology, with the result that the labour policies of these concerns are more enlightened than what was normal two decades ago. The Commission has found that there is often a high degree of co-operation with the Trade Unions, but what is lacking is smooth working machinery for raising complaints, a close attention to the training of supervisory staff, a marked willingness to settle grievances quickly and on the spot, and a constant effort to disseminate information about what is being done. It has, therefore, made the following recommendations :—

First, at the national level both the Co-operative Union and the Wholesale Societies should establish some form of joint industrial council with the trade unions in addition to the existing wages machinery. The movement should follow the example of some of the nationalized industries and establish machinery for discussing not only questions such as staffing, labour turnover, training and promotion, but also the wider economic problems facing the movement. If this is done, the Commission opines, that the Trade Unions would be encouraged to show a more active concern for these problems so that many of the present frictions might disappear.

Secondly, the Labour Department of the Co-operative Union should be expanded and given explicit new duties. The Department concerns itself at present with questions relating to wage negotiation and conciliation. What is needed, according to the Commission, is a central expert body, in addition, which concerns itself centrally with questions such as bonus and incentive schemes, staff training , recruitment policy, joint consultation and personnel relations. The Labour Department also keeps contact with the Trade Unions. It should disseminate information about new developments elsewhere in industry. Above, all, it should be in a position itself to offer expert advice and guidance on all these questions and should be available to any society in its capacity as a specialized industrial consultant.

Thirdly, the C.W.S. and S.C.W.S. should expand their Central

Labour Departments and devote more attention and resources to personnel relations. The Commission is aware that labour relations are as good as they are in the bulk of the capitalistic sector, but in the opinion of the Commission, they should be certainly superior. The Wholesale Societies should have been, according to the Commission, foremost in experimenting with different methods of workers' participation. A concentrated effort in this direction is recommended.

Fourthly, at the retail society level, all societies with more than 500 employees should have one official carrying out a specialized personnel function, and the large societies should have a personnel department with a full-time Personnel Manager, who should be given the status of a departmental manager. He should be responsible not only for staff recruitment, training and incentive schemes and labour relations but also for advice to the Board on promotions and appointments and internal postings and transfers. At present, these responsibilities are often discharged by departmental managers who have neither the time, the skill nor the impartiality to do the work properly.

Lastly, the societies should adopt a definite policy of regular consultation with the representatives of the employees. The co-operatives should have a proper attitude of co-operation with Trade Union officials with a desire to enlist the interest of the Body of the Employees in the affairs of the Society. The Management of a society should be anxious to take the Trade Union officials into confidence and to consult them automatically before making changes in working hours, recruitment policy, methods of work organization, bonus and incentive schemes. Similarly, the Trade Unions should be actively associated with the Management, training and promotion schemes. In the opinion of the Commission, the trade union official should be regarded not as an enemy but as an ally with a positive contribution to promote higher morale and efficiency. So far as the body of employees is concerned, the Commission recommends that the Management should make clear that it is interested not only in the ideas of the employees, but also genuinely concerned to give them all possible information about the policies and progress of their society. The indifference and even suspicion of many employees today is, according to the opinion of the Commission, the result of indifference of co-operative managements to the views

and feelings of their staff.

23 (C) Advertising and Salesmanship :—It was at one time held that co-operative retail societies had no need for advertising and the economy in expenditure thus resulting was legitimate, but the position has now changed. In the smaller societies in villages having a membership of 300 to 500, no advertising is necessary, but the members require information as to how they can get goods and services not obtainable from their local stores, through co-operative channels. In the larger societies the need for advertising and sales promotion is greater. In larger societies having a membership of 10,000 and over, there is a publicity department separately maintained, but even in the case of larger societies in the country no such department is maintained. Even if they exist, they are not responsible for the whole of publicity. In cases where a publicity department does not exist, responsibility is shared between the departmental manager and the secretary. Sometimes the function of publicity and propaganda are undertaken by the education department under a separate committee, The real aims of publicity are : (1) to obtain new members and preserve members' loyalty to the store by educating members in co-operative ideals, (2) to inform the members of the services available. Some of the larger societies employ canvassers who are chosen because they are enthusiastic co-operators. The work of publicity takes the form of propaganda meetings which are organized by the education department. Publicity also is obtained through various publications and the main general channels of information, viz., newspaper advertisements, hand-bills, the cinema, are also availed of. Other factors which influence trade with a society are shop equipment and location, window-dressing, packaging and salesmanship. These matters are the responsibility of departmental managers. Retail co-operatives are accused of bad salesmanship and poor service, and this charge appears to be justified from what the Co-operative Independent Commission has brought out in its report.

23 (D) The Co-operative Retail Services and the S. C. W. S. Branches:—These bodies were established with a view to performing two functions, viz., (1) the first was set up by the C.W.S. to undertake retail trade in areas where co-operative trading facilities were insufficient, and (2) the second was to act as defence of last resort for societies in grave financial position to prevent the

danger of disappearance of co-operation through the failure of the local society, that is to say, to play the traditional ambulance role. The Commission assigns a third role to the C. R. S. to play, viz., in certain cases to be the chosen instrument of the amalgamation plan. This is desirable, in the opinion of the Commission, in two sets of circumstances : (1) There are some parts of the country notably in North and South Wales and South-West England, where considerable clusters of C. R. S. Branches already exist. If the amalgamation survey showed that certain local societies contiguous to these clusters would gain from joining a larger unit, they should unite with the C. R. S. rather than amalgamate with less convenient independent neighbour. (2) Secondly, there may be some societies in any part of the country which need to merge but refuse to amalgamate on account of local loyalties with any of their neighbours. They may, however, be willing to join the C. R. S. When this is the case, the C. R. S. having accepted the society, should use its power of persuasion with the local boards and officials to create an independent unit of viable size. The Commission is, however, opposed to the suggestion that these organizations should be the nucleus out of which a National Retail Society might be built for reasons already set forth; still less does the Commission favour an attempt to construct one on the foundation of C. R. S. and S. C. W. S., as it would be a collection of diverse sizes often uneconomic units and scattered haphazardly up and down the country. The two bodies have so far performed a creditable service to the Movement, in the opinion of the Commission, which favours their continuance to be broadly what they are today. The main statistics of these two bodies for the year 1955 are set down hereunder :—

C. W. S. Retail Society, Ltd.

(A)

No. of Branches.	...	25
Membership.	...	1,56,223
Share Capital	...	£ 20,36,244
Loan Capital	...	£ 7,70,068
Sales.	...	£ 94,98,008

Retail Branches of S. C. W. S. Ltd.

(B)

No. of areas.	...	14
No. of Branches.	...	130
Membership.	...	77,421
Loan Capital.	...	£ 5,37,156
Sales.	...	£ 58,39,723

Control of the C.W.S. Retail Society, Ltd., which is the subsidiary organization of the C. W. S. is in the hands of a Management Committee, consisting of C. W. S. Directors. Through local committee and members' meetings, however, each of the Branches has democratic rights of expression for all practical purposes. At the same time, the financial support of the C. W. S. enables the retail society to give the fullest possible service to members.

23. Federal Consumers' Societies :—Co-operative Retail Societies may join together to form a federal society. The most important of the federal societies formed by the retail societies are the two great wholesale societies: the C. W. S. and the S. C. W.S. from which the retail societies buy from 2/3rds to ¾ths of their merchandising, but there are also other federal societies. There are in all 90 local federal societies set up by groups of neighbouring retail societies to provide certain goods and services, the most notable being dairy, laundry, bakery and funeral furnishing societies. Each of such federal societies is controlled by the societies which are its members. The higher authority vests in a board of management appointed by the member-societies, which meets monthly. It mainly concerns itself with appointing higher officials, examining trading results and laying down general lines of policy. Societies are managed by a Managing Secretary and the management is similar to a trading department of a retail society. The first federal society was formed at Glasgow in the 1860's—the United Co-operative Bakery Society. It was formed with 8 members. It has now 220 member-societies, and 5 large bakeries including one at Belfast and another at Clydebank—which is the modern biscuit factory in Scotland. Some dairy societies collect, process or sterilize and supply bottled milk to retail societies for distribution, while others deal direct with the members of the retail societies. An interesting development is the formation of the Kent Co-operative Society in 1945 by the amalgamation of the federal

laundry, funeral furnishing and dairy societies. In addition to these services, it is now concerned with hotels, catering and conference centres. Apart from these local federal societies, there are special national societies controlled by the individual retail societies sometimes in conjuction with other national societies. The co-operative press and the co-operative printing society are of this type. The latter serve both the co-operative and the trade union movements and its control is shared by co-operative societies which exist primarily to serve the retail societies and their members.

The following table indicates the statistics for a period of two years relating to the local federations of retail societies. These societies are district federations, of viz., dairies, bakeries, laundries, coal, boot-repairing, funeral-furnishing and drugs.

	1954	1955
(1) No. of societies	93	91
(2) Share Capital ...	£ 52,62.255	£ 56,15,198
(3) Loan capital ...	£ 53,25,453	£ 55,04,324
(4) Reserve & Insurance Funds ...	£ 9,35,319	£ 1,09,274
(5) Trade ...	£ 2,33,72,306	£ 2,49,43,219
(6) Surplus ...	£ 17,34,168	£ 18,42,062
(7) Number of employees ...	15 302	15,807
(8) Wages paid ...	£ 48,02,684	£ 53,81,458

24. The Wholesale Societies :—The beginnings of wholesale co-operation could be traced to the fact that when the co-operative retail stores came to be established, they had surplus monies to buy in large quantities direct from the wholesalers. This development made the private traders jealous of those wholesalers who sold the goods to the co-operative stores. Besides, committeemen or others making purchases on behalf of retail stores were inexperienced men and often competed among themselves in making purchases with the result that such rivalry had the effect of pushing up prices. They could not also understand the trends and practices of the wholesale market. It was, therefore, felt that joint action on behalf of retail societies was needed and the importance of a wholesale society that would give the stores a stronger bargaining power as buyers was also recognised. It

was not until the passing of the Act of 1862 that co-operative societies were able to invest their funds in other societies and gain the advantage of limited liability. In 1862 the limitation of £ 200 on the amount they could so invest was relaxed and the way was, therefore, paved for the starting of a wholesale society. With the help of Christian socialists like Abraham Greenwood, Rochdale, a wholesale society was accordingly formed under the title of "The North of England Co-operative Wholesale Agency and Depot Society Limited." Its registered office was at first located in Liverpool, although its place of business was at Manchester. Several of the Rochdale Pioneers sat on the original Managing Committee. It was subsequently registered as the "English Wholesale Society, Ltd., Manchester," in 1863. Business was commenced on March 14, 1864. Goods were sold on a commission basis of one penny in the pound on all business. Soon, however, the Wholesale Society began to hold stocks of goods and changed over from the commission basis to sell at market prices. In 1872, the name of the society was changed to the Co-operative Wholesale Society—a name which has become famous all over the world. It is to be expected that a retail society would not under modern conditions be in a position to produce the goods economically, which it sells in its shop. Nor is it in a position to buy goods from the wholesaler or a private manufacturer on such favourable terms as the larger ones do. It was soon realized that mere retailing of goods produced by the private manufacturers would not usher in the Co-operative Commonwealth that was cherished as an ideal. The Christian Socialists had of course realized the need of forging a link between production and distribution, but they were opposed to the idea of a wholesale society invading the field of production as they believed that the function of production was the preserve of a special kind of producers' societies. But this view was not shared by most of the retail societies that financed and controlled the wholesales. Rules of the wholesale were accordingly amended in 1871 to permit it to enter into production. Thus co-operation took another step away frem Owenism and the main idea was to strengthen the position of the consumers' co-operative movement in the existing economic system by increasing its coverage in area, trade and membership throughout Britain, whatever might have been the ultimate ideal of the movement. The co-operative retail societies were affiliated to the C. W. S. Simi-

larly, the retail societies in Scotland formed in 1869 the Scottish Co-operative Wholesale Society. The abbreviated names of these societies are the C. W. S. and the S. C. W. S. These are at present the largest trading organizations in the co-operative movement in Great Britain, and are the crowning points of the Store movement on the commercial side. There are also two other separate societies formed from a combination of these two wholesales,— one is the English and Scottish Joint Wholesale Society which engages in the Production of tea, coffee, chocolates and the other is the Co-operative Insurance Society. As already mentioned, the C. W. S. has also, through its subsidiary concerns, engaged in retailing and they are the C. W. S. Retail Society, Ltd., and the National Co-operative Chemists, Ltd., which supplies the retail societies and the members of retail societies drugs and toilet articles. Though originally intended to serve the retail societies as wholesale agents on a commission basis, the wholesales have penetrated into every field of commercial and production activities including insurance and banking.

(a) Membership and Financial Resources of the C. W. S. :— Membership of the C. W. S. is not confined to retail distributive societies alone. Producers' Societies, agricultural societies, special societies and overseas co-operatives are also its members. It is only a small number of retail societies that have not joined the C. W. S. and their turnover of business was negligible. The following table gives statistics relating to the working of the C. W. S. at the end of the year 1953 and 1955.

	1953	1955
No. of Members	1057	1030
Share Capital (in £)	2,57,08,343	2,81,09,603
Loan Capital	9,21,03,078	9,33,94,116
Reserve & Insurance Funds	1,11,89,855	2,09,08,702
Wholesale Distributive Trade	42,08,87,590	41,80,73,209
Sales of Subsidiary Organization owned by C. W. S.	54,23,512	90,04,428

(A) How the Wholesale trade is distributed over several items is given in the subjoined statement :—

		£
1.	Groceries & Provisions	295,141,275
2.	Coal	15,390,944
3.	Drapery	12,943,383
4.	Men's Wear	7,697,812
5.	Footwear	5,403,178
6.	Furnishing, Hardware & Carpets	21,515,777
7.	Agricultural	26,101,330
8.	Motor Trade	6,743,210
9.	Building, Engineering etc.	2,837,165
10.	Various Services	2,136,896
11.	Overseas Sales }	8,267,091
12.	Exports & Contracts }	
13.	Sundry Sales	13,895,148
		£ 418,073,209

(B) The values of the various industries the C. W. S is engaged in are given in the subjoined table.

INDUSTRY	VALUE	INDUSTRY	VALUE
	£		£
Biscuits	3,186,988	Woollens	1,153,094
Preserves	4,233,384	Fellmongering	2,166,264
Aerated Waters	1,417,169	Cotton Weaving	2,230,821
Glass	1,296,304	Men's Clothing	2,606,693
Soap	3,296,103	Footwear	3,510,140
Flour & Provender	23,818,943	Tanneries	280,912
Tobacco	2,401,529	Furniture & Bedding	4,202,827
Margarine	8,559,404	Brushes & Mats	251,568
Oil and Cake	4,222,044	Ironworks	198,048
Printing	2,870,423	Metal and Electrical	621,286
Rope and Twine	181,286	Tinplate	696,478
Bacon	3,572,570	Paint	688,622
Butter	8,684,406	Potteries	250,883
Drugs, Confectionary and Grocery Packing	5,278,339	Cycles	353,269
Canning	2,439,364	Aluminium & Cutlery	287,012

INDUSTRY	VALUE	INDUSTRY	VALUE
Creameries ...	25,225,400	Scales ...	289,929
Abattoirs ...	3,004,069	Leather Goods & Saddlery ...	123,014
Misceallaneous Grocery ...	135.863	Optical ...	166,113
Flannel Blankets ...	533,093	Miscellaneous Drapery ...	268,524
Hosiery ...	1,632,669	Building, Shop-fitting & Casemaking ...	3,358,354
Corsets ...	862,526	Engineering ...	2,728,360
Knitted Outerwear ...	439,775	Dairy Equipment ...	552,858
Shirts, Overalls ...	1,591,515	Wagon Building & Repairing ...	227,651
Mantles, Gowns ...	816,046	Motor Body-Building ...	394,070
Lingerie, Blouses ...	281,847		
Cotton Clothing Slumberwear ...	523,962		
Quilts ...	375,937		

Note :—Statistics are as at the middle of January 1956.

(f) The Scottish Wholesale Society :—For similar reasons that influence the establishment of the C. W. S., co-operative retaii societies in Scotland founded the Scottish Co-operative Wholesale Society in 1869. The finance of the Wholesale is derived from share and loan capital made by the members. Affiliates are required to take up at least one £ 5 share for each one of their members. Shares are transferable and withdrawable but need not be fully paid-up immediately on admission. Retail societies place much of their surplus funds with the S.C.W.S. in deposit account to which share interest and dividends on purchases are credited. The deposit accounts can be withdrawn at any time and overdraft facilities are also available against them. The subjoined table indicates the liabilities and assets of the S.C.W.S. at the end of 1955.

Liabilities and Assets at the end of 1955

(A) Liabilities	
(1) Share capital ...	£ 44,34,459
(2) Loan capital ...	£ 1,10,66,781
(3) Reserve and Insurance Funds ...	£ 57,24,622
(4) Rate per cent of share capital ...	129.09
(5) Rate per cent of share and loan capital ...	36.93

(6) Wholesale distribution trade	...	£ 8,29,15,304
(7) Value of Productions	...	£ 2,66,30,345
(8) Sundry Liabilities	...	£ 32,86,973
(9) Share interest and Disposable Balance	...	£ 6,97,179
(B) Assets		
(1) Stock-in-Trade	...	£ 45,58,237
(2) Property and fixed assets	...	£ 80,65,574
(3) Investments	...	£ 1,05,80,642
(4) Debtors for goods	...	£ 66,54,475
(5) Cash on hand and at Bank	...	£ 11,70,814

(b) The S. C. W. S. :—The membership of the S. C. W. S. also consists of retail societies, agricultural societies, productive societies, overseas societies and societies of a miscellaneous type. At the end of 1955, the number of members stood at 193. Shareholding in the S. C. W. S., unlike in the case of the C. W. S., is not confined to societies alone. Individuals are also admitted to membership, the maximum amount of shareholding in any individual case being fixed at £ 200.

The members of the wholesale societies share in their administration. They subscribe to their share capital and receive a limited interest thereon. They also receive dividend on purchases made with them but the retail societies are not compelled to make their purchases from the wholesale societies which are as a rule compelled to do business with the retail societies only. Despite this, it may be noted that there is an element of loyalty in co-operative trading which helps the wholesale societies a good deal. The wholesale societies are financed by share and loan capital largely but not wholly by retail societies. Affiliated societies are required to take up at least one share of £ 5 forevery two of their members. These shares are transferable and not withdrawable, but they need not be fully paid for at the time of allotment on a society's admission to membership. In addition to subscribing to the share capital, retail societies place a substantial portion of their surplus funds with the wholesales either in deposit or loan account to which interest on shares and dividends on purchases are also automatically credited. These sums are withdrawable on demand The C. W. S. has a separate loan account for holding share interest and dividend, as they accrue but in the

case of the S. C. W. S. both share interest and dividend and the invested surpluses are credited to deposit account. These deposits and loans are made to the wholesale societies as trading organizations but are held as special accounts in the Banking Departments run by the Wholesales. Only a fraction of the total loan and Deposit Accounts is held by societies which are non-members. It is easy for the retail societies to have dealings with only one institution which not only supplies them goods but also acts as a banker. The amounts deposited are readily withdrawable in case of need and overdraft facilities are also made available. The C. W. S. Bank is a co-operative bank with a large turnover.

24. Resources and finance of the wholesale societies :

(A) In the two following tables the Co-operative Independent Commission gives figures for the C. W. S. and the S. C. W. S showing the uses and the sources of finance and the appropriation income of the trading departments of the two wholesales in the years 1953 to 1956 :—

Sources	1953	1954	1954	1956	Total	Total p. c.
1. Increase in members' capital	5.6	4.4	.3	− 6.4	3.9	14.8
2. Retained income	1.8	2 4	2.4	2.4	9.0	34.2
3. Depreciation	2.3	2.3	2.5	2.8	9.9	37.7
4. Increase in liabilities	.2	5.5	−4.0	1.8	3.5	13.3
	9.9	14.6	1.2	.6	26.3	100
Uses						
1. Gross expenditure on tangible fixed assets	1.4	3.2	4.3	5.3	14.2	54.2
2. Increase in value of stocks	− .9	2.6	2.3	.2	4.2	16.0
3. Increase in investments.	.2	1.6	.2	1.1	3.1	11.8
4. Increase in bank deposits	8.5	5.7	−2.0	−5.9	6.3	24.1
5. Increase in cash	.6	1.7	−3.7	− .2	− 1.6	−6.1
	9.8	14.8	1.1	.5	26.2	100

	1953	1954	1955	1956	Total	Total per cent
Surplus after Taxation on Trading and Investment Income	12.6	13.6	14.1	15.1	55.4	100
Less Depreciation,	2.3	2.3	2.5	2.8	9.9	17.9
Share Interest,	2.0	2.1	2.1	2.6	8.8	16.0
Dividend	6.6	6.9	7.1	7.4	28.0	50.7
Balance : Retained income	1.6	2.4	2.2	2.3	8.5	15.4

(B) From the figures in tables given above it will be seen that the wholesale societies were self-supporting for finance, taking the period of 4 years together. They obtained adequate new capital not only to finance their fixed capital expenditure but also to add to their financial assets but these assets dropped sharply in 1956 in order to meet withdrawals of members' capital and not to finance their own capital expenditure. On the contrary their total expenditure on fixed assets, stocks and trade investments were met from retail income, depreciation reserves and net trade credit. As in the case of retail societies the Commission asks the question whether the current rate of capital formation is adequate and after considering the policy decisions required about the future of Co-operative wholesaling and production the Commission has come to the following broad conclusions :—

1. The wholesale function in the opinion of the Commission is changing in character and the buying function needs to be expanded. With the further growth in the size of retail societies the non-traditional functions in regard to warehousing will gradually decline. This change in emphasis will tend to reduce the need for heavy capital expenditure. So far as production is concerned there is already in the movement excess capacity and the Commission suggests that some of this may be taken up if retail demand may be more successfully harnessed than at present. The Commission does not, however, visualize a major net expansion but on the contrary advises a retrenchment so that the movement may concentrate on a narrower range of output, and the weight of the new co-operative investment should in the period ahead, be thrown on the retail side of the movement. This should not, however, imply that the net capital expenditure of the wholesale societies

will be reduced to nil; far from it; a great deal of modernisation is undoubtedly needed in most of their factories and some lines are also capable of expansion but the Commission does not visualise an increase in the rate of capital formation over and above the present level at all comparable to the increases which the Commission has envisaged for retail societies. It does not of course, follow in the opinion of the Commission that the wholesale societies will not face in future stringency of capital since they hold and acquire capital not merely for their own trading operations but also on behalf of retail societies. Thus the Commission turns to the second question viz., whether the wholesale societies are in a position to make available the reserve of retail capital (102 million £) to the societies without detriment to their own activities. The bulk of this reserve it will be noted consists of loans and deposits made by retail societies (share capital being excluded as being non-withdrawable) the Commission states that these are surplus to the trading requirements of the wholesale societies as in 1955 the C. W. S. was using in trade only £ 15 million. Out of total withdrawable loans of £ 93 million, remaining £ 78 million being deposited with the Banking Department. Similarly the S. C. W. S. was using £ 3 million in trade and had £ 9 million on deposit with the Banking Department. Here there is a reserve of redeemable assets far larger than a purely trading organization can carry. It may be noted that part of this reserve is already withdrawn : C. W. S. withdrawable loans fell by £ 6 million in 1956 and, £ 5 million in 1957, and S. C. W. S. loans fell by a small amount in the two years, but these withdrawals will have to be considered in comparison with the future requirements of capital by the retail movement suggested by the Commission.

The Commission has already pointed out that over and above the existing sources of finance the new capital might amount to £ 90 to 120 million £ during the next decade. This sum could be found once for all by reduction in the ratio of non-trade to trading assets in the retail societies in the opinion of the Commission. It is also further pointed out by the Commission that once the £57 million of outside investments and the £ 9 million invested with the co-operative permanent building society had been called up the remaining reserve of non-trade assets would consist entirely of loans and deposits with the wholesale ocieties. If the societies were to decide to reduce the liquidity ratio to 20%

of their demand liabilities this would entail for 1955 the withdrawal from the wholesale societies of £ 42 million leaving £ 60 million on deposit to constitute 21% liquid cover. In the opinion of the Commission this would not in fact damage the operations of the wholesale societies. They could continue to use £ 18 million of societies' loans and deposits in their own trade as they do today and yet still have a figure of deposits with the Banking Departments amounting to £ 45 million The Banking Departments would no doubt suffer a fall in their total deposits but the retail societies could in principle mobilize their reserves of capital to the extent needed without throwing the finances of the wholesale societies into total confusion. But it may be noted that the strain on the wholesale societies could be greater because in the shorter run the Banking Departments might find it hard to realize their investments at a satisfactory price in order to release these sums to retail societies. There is no complete answer to this difficulty according to the Commission but it points out that the strain in actual practice may not be unendurable. For the build up of retail societies' capital expansion would inevitably be a gradual process as the difficulty will be gradually solved by the maturing of the wholesale societies' giltedged investments. There is a parallel problem with the retail societies also springing from the same cause referred to already. Many of the retail societies' outside investments will not be realisable at par for some years and societies unwilling to sell them at a loss and yet needing further capital might have to borrow from the wholesale societies against these securities or they might withdraw their loans and deposits amounting to more than £ 42 million mentioned above. In actual practice this may not occur according to the view of the Commission in the short run on a very large scale; because it is doubtful if retail capital expansion will build up to so high level before the outside investments begin to mature. In the long run, however, a satisfactory expansion of co-operative trade will require not merely the use of the retail societies' existing reserves but additional borrowings as well. The Commission asks, therefore, whether the wholesale societies could make available more capital than the £ 43 million. assumed above. The Commission replies by saying that this requires an examination of the position of the Banking Departments which are the residuary holders of the wholesale societies' capital

reserves, and their combined assets in 1955 were £ 223 million. If the entire £ 42 million. were to be withdrawn this figure would fall to £ 181 million. The Joint Stock Banks' present ratio of advances is about 25%. If the wholesale societies' Banking Departments worked on the same ratio they could make some £ 45 million available in advances but in fact their advances had already approximately this figure in 1956 and there would, therefore, in the opinion of the Commission be no additional reserve of lending available in the Banks once the societies have withdrawn their permissible £ 42 million of loans. Criticism is levelled against this picture drawn by the Commission in that it is a sombre assessment of the position for two reasons in the first place 25% of ratio of advances is unusually low according to historical standards, and the joint stock banks have normally considered 30% to be a safe ratio which could be adopted by the wholesale banking departments, secondly the wholesale banks could work on a higher ratio of advances and a lower ratio of liquidity than joint stock banks. The Commission thinks that the wholesale banks should not work on a low liquidity ratio permanently as they have done for some time in the past but they should be faced with the contingency of realising their investments at a loss but the Commission argues at the same time that there is no rational basis for calculating correct liquidity ratio unless distinction is made between long-term and short-term deposits. But if this distinction were to be made the Commission opines that the banks' deposits would be more stable than those of joint stock banks for instance £ 60 million of them would represent retail societies minimum liquid reserves while another £ 25 million represent the accumulated superannuation funds of a number of national federations and are in no danger of certain withdrawal. It seems reasonable in the opinion of the Commission that the wholesale banking departments should keep a lower than the average liquid cover against the deposits thus releasing a further sum for advances. If the two banks felt that they could prudently raise their ratio of advances upto 35% of their total assets an additional sum of £ 20 million on the above assumption of total deposits of £ 85 million would be released. These assumptions may also be challenged on the ground that they are foo optimistic It has been assumed for example that the retail societies will keep their entire reserves of liquid assets with the wholesale societies but they may choose

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to keep 60% only in this form and invest the remaining 40% in the form of short-debted Government securities. In that event it is obvious that the run-down of wholesale members' capital would be greater and the lending resources of wholesale banks correspondingly smaller than what is assumed by the Commission. This could be certainly avoided by adopting policies mentioned by the Commission in paragraph on "The Need for Co-operative Long-term Loan". Even adopting the most favourable assumptions the Commission concludes that the only additional reserve of capital in the wholesale societies lies in the possibility that the wholesale banking departments might work on an exceptionally low rate of liquidity and this reserve in the opinion of the Commission is neither vast nor dependable—dependent as it is on technical banking considerations which vary from time to time. It is is true says the Commission that there should be an additional reserve of lending power in the wholesale societies. Some part of £ 42 million will not be withdrawn (which is assumed to be withdrawn by the Commission) if the £ 67 millions now invested by the retail societies outside the movement could be attracted back into the movement inasmuch as it will be held by societies which themselves do not need for their expansion and which will, therefore, be available for re-lending to other societies; though this contributes to the mobility and re-distribution of the movements' capital resources it does not by any means increase their size. Thus if the retail movement seriously undertakes the requisite expansion during the next 10 years the profuse reserves in the opinion of the Commission would be drawn down and the implication for the wholesale societies is that they should make themselves, as far as possible, independent of withdrawable retail societies' capital in so far as their own trading operations are concerned. In 1955 they were dependent to the extent of £ 18 million the remainder of the capital used in trade coming from non-withdrawable shares and reserves. This dependence can certainly be reduced in the opinion of the Commission by an active policy of retaining profits and building up reserves. This both the societies are already doing. It will be seen from the tables in para 24 that in 1953-56 their retained income amounted to 15% of the combined surplus (compared with 3% of the retail societies) and 34% of total sources of finance as (compared with 8% for the retail societies). Reserves and insurance funds as a pro-

portion of capital used in trade stood at 16% for the C. W. S. and 28% for the S. C. W. S. Though these are more laudable figures than the retail movement can show yet they are much lower than what is normal under private enterprise as shown in table 20. Thus the Commission recommends that the wholesale societies should make every effort to allocate even more to reserves than what they do today. The ideal which the Commission suggests for the wholesale societies to follow is that their trading departments should be wholly independent of withdrawable loan capital. Their own liability capital would then consist solely of share capital, reserve and normal trade credit and advances. The element of risk implicit in a trading organisation of depending partly on withdrawable short-term capital would have to be eliminated. The average cost might no doubt in consequence be higher but this would be more than offset in the opinion of the Commission by the advantage that the onus of providing liquid cover would be entirely removed from the trading departments and be transferred to the banking departments where it should rest. Thus the result would be in the opinion of the Commission a clearer distinction between the trading and banking functions of the wholesale societies. In a retail society, however, these functions can never be separated while in the wholesale societies which operate separate banking departments they can be. In the opinion of the Commission this is desirable as a trading organisation should be free to concentrate on their proper function of expanding sales untrammelled by financial problems of liquidity.

(b) **The need for co-operative long-term loans.**

The Commission does not feel complacent about the future capital position. An ambitious 10 years' plan of expansion would substantially exhaust the available capital reserves and the question how these reserves are to be rebuilt again after the needs of the years are met must have to be considered. In the opinion of the Commission an expanding and deficient movement can scarcely ever have too much capital. In this context the question arises–should the movement not attract fresh capital from outside and how can it attract back the 67 £ millions of retail capital invested outside the movement? Should the wholesale societies seek this back and at the same time attract new outside capital by the offer of higher rates of interest? The Commission replies to these questions by saying that they should not, as in its

opinion the supply of capital already existing in the movement would be adequate for all purposes over the next four to five years and that there is no point in increasing higher interest burden to attract capital which is surplus to current needs. Nevertheless the Commission feels that at a later date the wholesale societies would have to attract the capital. The 67 million £ of outside investments will be required at some stage for capital expansion and a substantial portion of it will either be required by societies that do need it or by new organisations set up to undertake retail development. It will then be necessary first to mobilize and then to redistribute this capital through the wholesale societies according to the Commission. This may be even more necessary in future than what appears to be on the basis of current figures, for example, the Commission has found a disquieting tendency among retail societies to increasingly invest their surplus funds outside the movement. The proportion of their investments represented by shares and loans with the wholesale societies was 68% in 1939 and 70% in 1946, but by 1955 it had fallen to 61%; again it has also been understood that many retail societies are found to have made heavy investments in municipal loans only in the last year and that there is also a growing pressure to invest superannuation funds outside the movement. In the opinion of the Commission this may reflect an exceptional period of dear money but one cannot be sure and the Commission recommends that the plan should be prepared on the assumption that it is not. The crux of these plans would in the opinion of the Commission be the offer by the wholesale societies of new long-term loans at competitive long-term rates of interest. At present the only investments available inside the movement (excepting two types of S. C. W.S. loans) are short-term loans or deposits carrying an average rate of interest of 3½%. These are a suitable form of investment for societies' minimum liquidity reserves but those societies with capital surplus to the requirements of this reserve seek a long-term investment offering a higher yield; if they cannot find it within the movement it is obvious, according to the Commission, that they will go outside. The Commission, therefore, recommends that at a suitable future date the wholesale societies should create new forms of long or medium-term deposits designed to attract funds which are surplus both to trading and liquidity requirements in addition to the short-term deposits which they are at

present attracting. This step is calculated to confer an advantage on the banking departments. So long as there is no distinction made between long-term and short-term deposits there is no rational basis in the opinion of the Commission on which these departments can distribute their assets as they cannot know for certain what proportion of deposits is liable for certain withdrawals and what is not. Thus there is a risk that they will accept a ratio of liquidity justifiable on the assumption that deposits are long-term and when this assumption proves incorrect they will be forced to sell their investments at a loss. Only if there is a clear separation of short-term from long-term loans can the banking departments assess their liabilities accurately and so arrive at a rational distribution of their assets. The Commission is aware that this policy of offer of longer term loans at higher rates of interest may be subjected to a number of criticisms as follows :

(1) It will fail in its purpose as most of the retail societies will be reluctant to liquidate their investments at a loss. This is of course true says the Commission but it is not thinking mainly of existing outside investments at the present time but it has in mind the danger that new funds may be increasingly placed outside the movement and the future need to keep capital inside the movement as and when the present outside investments mature over the next 3 years.

(2) The proposal made by the Commission will, it is argued, have a disastrous effect on the finances of the wholesale societies themselves because apart from the interest cost of new funds which are attracted, retail societies will switch millions of pounds out of existing C. W. S. and S. C. W. S. loans and deposits carrying 3½% into the new long-term loans carrying a much higher rate. The effect on the profitability of these enterprises would thus be most damaging. The Commission meets these arguments by saying that the comparison is somewhat misleading as already pointed out that the wholesale societies use only a comparatively small portion of retail societies' loans in their own trade; nevertheless the burden of interest cost would fall on some part of their organisation and hence affect their total profitability. It may be noted that the additional burden will depend first on how much money is switched over and on the rates of interest ruling at the time. On the first point the Commission states that there would be no question of societies transferring the whole or even the bulk

of their deposits with the wholesale societies. These deposits would continue to represent only the short-term liquid assets available in the movement and retail societies should keep the greater part of their liquid reserves in them. According to the Commission the only amount which is in danger of being switched over is the diminishing proportion which is surplus to both the liquidity and the trading requirements of retail societies. The cost would depend on current relative rates of interest. The Commission states that if the time for the change is aptly chosen the net cost should not be excessive, for it should then be possible to reduce the rates of interest on the residue of short-term deposits. In the past according to the Commission this rate has hovered between being a short-term rate and a long-term rate; this is because it has remained a much steadier rate than market rates. Thus at the moment at 3½% it is equal to a short-term rate but in the cheap money period after the war it stood at 2½% and the wholesale societies were paying in effect a long-term rate on withdrawable-at-sight deposits. Once a clear separation is made between long-term and short-term loans the latter should attract only the market short-term rate of interest. In the opinion of the Commission the net cost of the new policy would thus not be greater if the change was effected at a time when short-term rates were below the rates now offered by the wholesale societies (i. e. below 3½%) the additional cost of the new long-term loans would then be not only less than a dear money period like to-day but it would also be partly offset by reduced interest liability on the residue of short-term deposits; the Commission, therefore, recommends that the change should be made only when money is cheaper than it is to-day. A third objection is sometimes raised which is rather emotional than rational according to the Commission. It is said : Why should the wholesale societies pay a much higher rate to retail societies than the latter pay to their own members? The Commission replies to this objection by saying that this is an irrelevant question. Any organisation must pay whatever is necessary to attract the capital which it requires; this is different in the case of retail and the wholesale societies and there is no equivalence between the two. The real equivalence is between the rate which societies receive by lending long-term to the wholesale societies and the rate which they must pay for borrowing long-term loans from them and it is of course a corollary of this policy that socie-

ties should be willing to pay as well as receive a long-term market rate of interest. Lastly, an objection is raised that retail societies should not invest long-term. Apart from the minimum liquid cover required they should invest their surplus in trade and should not behave like an investment trust. The Commission answers this objection by saying that if the movement were a single entity the point could be accepted whole-heartedly but there are separate 964 societies and the Commission does not want a society to use all its capital in its own trade since there is no correspondence between a society's capital position and the trading needs of that particular area. It follows, therefore, that some societies will have capital surplus to their requirements. As it will not be surplus to the movements' total capital requirements it should be invested long-term within the movement so that it might be used safely elsewhere. Thus the Commission believes that there is a strong case for issuing a new type of long-term loan at a future date when the rates of interest are lower and the need for additional capital greater. This would not, in the opinion of the Commission, be the responsibility of the banking departments nor should the banks borrow long-term loans as they do not make long-term loans. The proceeds of such loans should be re-lent on long-term for fixed capital formation but this is not part of their banking function. This matter in the opinion of the Commission should be the responsibility of a new and separate investment division of the wholesale societies. The banking department would of course be affected to the extent that the retail societies' funds were switched from short-term into the new long-term but this switch over would in no way reduce the lending power of the organisations as a whole; on the contrary it would somewhat increase in that the higher proportion of long-term loans than of withdrawable deposits could safely be re-lent. The immediate object of the new issues of loans would, in the opinion of the Commission, be, to attract surplus capital funds of retail societies, particularly the superannuation funds. It may not be easy to keep these funds invested with local societies at existing rates of interest and perhaps the only way of preventing a gradual trickle of these funds outside the movement would be to provide a co-operative long-term investment offering a competitive market yield. The Commission sees no reason why the co-operative insurance society should not invest its funds in the new loans as a

part of its investment policy, but more important bodies and persons should, according to the Commission, be encouraged to invest particularly the trade unions. The latter command large and growing capital funds for which a co-operative long-term stock would provide an eminently suitable outlet nor should private individuals and bodies be debarred from investing. The new loans according to the Commission will be like debenture capital carrying no rights of control over co-operative enterprise and given this condition the Commission takes the view that the more capital the co-operative movement can attract from the rest of the economy the greater would be its power and prospects of expansion.

(c) Mobilization of the movement's capital :

To the extent that the new policy is successful in attracting new capital or capital that is invested outside a relatively greater concentration of the movement's capital in the hands of the national federations would be achieved. This in the opinion of the Commission is a desirable outcome as it would facilitate the greatest possible Central planning of the use of members' capital resources. The Commission also suggests at the same time that future co-operative expansion and capital formation should be concentrated more heavily in the retail movement than in wholesaling or production. If the capital is to be concentrated in the national federations but needs to be employed mainly by the retail societies how is the necessary co-ordination to be achieved? The Commission has already recommended the establishment of a retail development society jointly controlled by the co-operative union and the wholesale societies. As set forth by the Commission its functions would be (1) to assess the future capital requirements of the retail movement, (2) to advise societies on their development plans, (3) to act as a recognized channel to approach for societies needing capital, and (4) initiate major new national ventures in the retail trade such as chains in the dry goods outlets. The Commission envisages that the two wholesale societies and the C. I. S. should severally determine what proportion of the capital they would be prepared to make available for retail development and having done that they should delegate to the development society the responsibility for planning in broad outline how the capital should be employed. The retail development society is an institution on which the wholesales and the C. I. S. would be represented and even if it be so they cannot actually delegate

the power to lend money to the development society as each of these institutions owes a responsibility to its share-holders or policy-holders, but in the opinion of the Commission they would be willing to act within the frame-work of overhaul plan drawn up by a joint body of which they form a part. This plan would be based on a broad allocation of funds which the two institutions are prepared to make available. Thus some part would be set apart for loans to individual societies against the security of property or investments; a further sum would also be earmarked as 'risk capital' to be lent to those societies whose rate of expansion is out-running the possibilities of collateral. This would, in the opinion of the Commission, be an innovation for the co-operative movement which is needed and which would be justified in view of the fact that the two wholesale societies now command sufficient long-term capital. A major part of the available sum would be set aside for the national chains and a further part for the development of federal activities. In all these cases of development it is the national federations that should take final decisions on individual projects but ordinarily they would accept the recommendations of the Retail Development Society. The Commission further adds that within the frame-work of an overhaul plan of retail development their decisions must be taken and the plans can be drawn up by a body on which the retail societies and the federations are jointly represented. In the opinion of the Commission this effort would be largely wasted if the retail societies do not pull their proper weight. The view of the Commission is that the capital position will be tighter on the assumption that the retail movement expands at the rate at which the Commission thinks necessary and it also believes that the capital deficiency can be met by mobilizing both the existing capital reserves and new outside reserves provided that the assumption made by the Commission that retail societies are prepared to borrow this capital at competitive rates of interest, proves correct. According to the Commission, such an idea with many retail societies goes against the grain as they are accustomed to decades of members' cheap capital and they are in consequence opposed to outside borrowings. If they must borrow they are under a conviction that they must obtain their capital cheap. In the opinion of the Commission, such attitude must be considered to be dangerously out of date. Societies must also be prepared to borrow at the same rate as their competitors

do. They must be more willing to borrow now than they have been in the past because they have a vast reserve of physical trading assets to use as a collateral. As already pointed out that the days are already over when the movement could rely on an easy annual flow of members' capital for extending its trading requirements; further finance in the opinion of the Commission must be governed by a judicious combination of one's own resources out of retained income and borrowings from a central fund of co-operative capital mobilized already referred to above.

(d) The role of the wholesaler

The commission has devoted considerable attention to the production, wholesaling, merchandising and financial functions of the wholesale societies and has put in a strong plea for their reorganisation ultimately. Let us take up first the merchandising and wholesaling functions of the wholesale societies. The Commission has stated that two changes have occured in the role of the wholesaler in recent times and they have affected the wholesale societies equally with private wholesaler; the first is that the large retail societies tend increasingly to dispense with the services of a wholesaler and to deal directly with the manufacturer. In the opinion of the commission this is not because the wholesale function as such is necessarily less important but a retail organisation of more than a certain size no longer needs a separate wholesaler to perform it. Its own buying power enables it to secure from the manufacturer prices as favourable as a wholesaler and it is also competent to perform the tasks of a wholesaler viz. holding stocks, breaking bulk and giving information about sources of supply. Thus in the opinion of the Commission the large retail organisation has partly replaced the independent wholesaler and integrated the wholesale function into retail process. This change is already reflected in the decline in the percentage of retail societies' supplies obtained through the wholesales and in the fact that this percentage is lower for large societies than for small; at the same time the small retailer has become more dependent on the wholesaler because he can no longer face the fierce competition of the multiples, the departmental stores and the larger co-operatives unless he, too, gains the advantages of scale they possess. Since he cannot gain them on his own he must get them by attaching himself to a large organisation; that is to say, he must join with other retailers and set

up or make use of a large scale organisation which would perform for him those services which the central office of a multiple shop organisation performs for its individual shops. He will not be satisfied to-day with a wholesaler who merely performs the traditional functions of a wholesaler of the past; passively to accept orders from the retailers, to bulk them, place orders with the manufacturers, receive the goods, break bulk, finance the holding of stocks and deliver the goods to the retailer as and when required. He expects something more than his passive role of an ordinary intermediary. Particularly in addition to the warehousing and stock holding function he needs an organisation which can match the buying power and expertise of the large retailer and so can offer a range and quality of goods equal to that of the larger scale competitors. In response to this need the Commission mentions that a new type of wholesaler has arisen both on the continent and in the U. S. A. In some cases a new organisation such as the voluntary chains, the retail buying groups or the retail owned co-operatives have come into existence. In other cases the wholesalers have adapted their policies and outlook to the new requirements. Whatever the form of organisation the passive role of a mere intermediary between a retailer and a manufacturer has given way to a more positive and dynamic role. To the traditional functions is added the function of expert and aggresive role of buying in advance of demand. With the change of function, says the Commission, comes a change of outlook; a wholesaler now thinks his main objective is to increase the retail sales of his customers. His approach is, therefore, one of active collaboration with the customers in the task of their competitive position. The last two years have witnessed the growth of new joint retail wholesale organisations—both voluntary chains and retail buying groups. The Commission feels sure that in the next two decades the picture in the distributive trades will be dominated on the one hand by the large co-operatives, multiple organisations and departmental stores and on the other by chains of independent retailers organised in joint wholesale retail groups. These simultaneous but contrary changes in the position of the wholesaler in the opinion of the Commission must have a profound effect on the two co-operative wholesales. The tendency of the larger retail societies to deal direct with manufacturers leading to a relative decline in the wholesale societies' trade brings with it a risk which will increase, as the process of

amalgamation proceeds or developes. At the same time in common with other small retailers the smaller societies now require from their central organisation a buying policy as skilful and dynamic as that of the central buying organisation of a large multiple shop. Both these considerations will rivet attention on the buying and merchandising functions of the two wholesales. The degree of success with which this is performed will determine the purchasing loyalty of the larger retail societies who will still buy through the wholesales to the extent that they can get better terms and better goods thereby. The smaller societies must also continue to buy through the wholesale societies in order to get for them the benefit of expert and large scale buying. What are the requirements of a successful merchandising policy on the part of the wholesale societies? The Commission now goes on to reply to this question. The first requirement is a major reform in the control structure of the wholesale societies with a view to enable them to take swifter decisions and lead to more positive management. Secondly the Commission urges a change in psychological attitude on the part of both wholesale and retail societies. The wholesale societies constantly make appeals to retail societies' loyalty and the impression is occasionally given that retail societies are under some sort of obligation to buy from the wholesales which justifiably feel hurt and get even offended if the retail societies fail to do so. The Commission thinks that this attitude is not correct because retail societies would be foolish enough not to buy from the wholesales which they have establsihed themselves and which they own if the price, quality and design and delivery terms of the goods offered are equal to those obtainable outside. If they are not the retail societies are under no obligation to buy out of loyalty. But on the contrary the first duty of the wholesaler is to supply to its members the best of goods irrespective of source; if it fails in its first duty to the co-operative members it need not be protected by appeals to loyalty. Thus the Commission thinks that less should be heard of loyalty to the wholesales and more of service to the retail societies which have established the wholesales to serve their interests. The corollory of this, however, is a change of attitude on the part of societies as well. According to the Commission some of them now expect unduly favourable treatment from the wholesale societies. The latter should not be

compelled by traditional sentiments to adopt uneconomic policy, if they are expected to do first class competent service, as their competitors, they must be allowed the same freedom of action as their rivals enjoy and no restrictive conditions may be imposed on them by the retail societies. The Commission, therefore, specifically recommends that the wholesale societies should change their policies in the following ways :—

(1) They should establish an open system of volume discounts on all orders (including goods invoiced through); at present such discounts are given on a negligible scale and their absence constitutes in the opinion of the Commission a serious neglect of prudent commercial practice. The Commission advocates their introduction first because large orders are cheaper to fulfil than small ones and the price charged to retail societies should reflect the actual costs incurred by the wholesaler. Secondly, volume discounts will encourage the placing of larger orders and would improve the buying power and economy of operation of the wholesales. Thirdly, because if the retail societies do not get such discounts they will be driven in the interests of their own members to outside suppliers who do provide them. Thus the Commission recommends that the wholesale societies should vary their prices and margins broadly according to their actual services rendered. Thus when a society wishes to use the wholesale societies as a buyer only and is prepared to do its own warehousing and breaking of bulk with delivery direct from the factory it should be charged only a small commission covering the actual cost incurred by the wholesale society in the purchase and not the full wholesale margin, conversely a society which demands a full range of services such as warehousing, transport facilities, breaking down the bulk should pay the full economic price for it. The wholesale societies are, therefore, recommended to adopt a rational system of differential charges varying according to the role they play; when they act as a purchasing agency only a purchasing commission should be charged and when they act as full line and full service whelesaler a full wholesaler's margin should be charged. Thirdly, the Commission considers it right that the wholesale societies should introduce more order and discipline in the present anarchic system of retail society's ordering. The Commission is frank enough when it states that the wholesale societies are 'monkeyed about' at present by the retail societies. This applies

not only to the farcically small size of order and the large numbers of specials but also to their willingness under pressure to hold stock, to take back bad stock, accept inconvenient delivery dates according to society's accounting period and so on. Though the relations between the buyer and the seller in the co-operative movement are intimate with traditions of voluntarism it would be inappropriate to impose rigid obligations on the wholesales. The wholesales should use both differential prices and friendly pursuasion to reduce the present laxity in their commercial relations with retail societies. These proposals in the opinion of the Commission have two objects; one is to increase the efficiency of the wholesales by streamlining the process of retail ordering, enlarging the average size of order and generally removing the restrictive handicaps under which the wholesales now operate. The other is to distinguish between the limited services required by the large society and the full wholesaling function required by the small one and to adapt the structure of charges to cover actual cost of these respective functions. The effect of the proposals would ultimately be to prevent the desertion of the wholesales by the larger societies which are reluctant to pay for the services they neither need nor use and to be saddled with a price handicap as compared with their competitors—the multiples. Sometimes objections are raised that it is a co-operative principle that all societies should be able to buy the same goods at the same price. The Commission replies to this objection by saying that this cannot be treated as an article of faith particularly when the costs of supplying the goods are different. Uniform prices must mean that some societies are paying more than cost and others less so that the former are subsidising the latter. There is no justification for one society which does its own warehousing and orders efficiently in bulk to subsidise the other which has no warehouse and which orders improvidently from hand to mouth. This is also in the opinion of the Commission part of the answer to the further objection that these policies would favour the large at the expense of the small societies. The Commission further states that the larger societies would in no way be favoured because they pay only the actual cost of whatever services they receive from the wholesales. On the contrary the smaller societies are favoured by the existing system as they obtain the goods at less than the cost of providing them as it encourages driblet orders and uneconomic

wholesaling methods. It is the larger societies that face intense price competition in the new shopping centres from private enterprise since the larger societies containing as they do the great majority of co-operative members may not be indefinitely willing to penalise the majority in the interests of a minority. In addition to changes in policy recommended to be adopted by the Commission, by the wholesale society a further change in the sales methods of the wholesale is recommended by the Commission, while buyers from the retail societies regularly visit the wholesale depots it is seldom that the wholesale buyers visit the retail society to get the "feel' of the trade, to see how merchandise is moving and to exchange ideas with sales staff and customers and yet these buyers attached to the wholesalers for the purpose are buying on behalf of retail societies goods worth millions of pounds each year. To buy on this scale without knowing the sources of supply and without contact with the process of retail selling can in the opinion of the Commission lead to mistakes timidity and dullness. If, however, these wholesle buyers have contacts with retail buyers and not with actual selling process they become merely order takers and order placers in the opinion of the Commission. If this is not possible at present because of mutual mistrust it is a deplorable indictment of relations between the two wings of the movement If the wholesale societies make it clear that their sole gain is to increase the sales of retail societies this suspicion would disappear Thus the Commission advises the wholesale societies to adopt the system whereby buyers on their side spend a definite portion of time in retail societies and prepare regular reports on their observations for the use of both the wholesales and retail societies. Another subject which has aroused sharp controversy relates to the present practice of 'invoicing-through'. It may be noted that invoicing-through is a regular practice followed in the distributive trades. Its justification is that two retail units can buy better than one and a hundred better than two. It enables the retail societies to bulk their demand through the wholesale societies but certain conditions must be satisfied. First the wholesale buying must be efficient and skilful. Secondly the wholesale societies must not impose an invoicing-through charge which is excessive as the large society itself does the actual ordering and wholesaling once the contract is made leaving the wholesales only with a minor responsibility of accounting only. Thirdly

the large society must be able to obtain the same volume of discounts as it can obtain if it is buying direct. If these conditions are fulfilled the large society, in the opinion of the Commission, should be no worse of and the small society better of. The Commission is aware that there is a strong feeling against the practice of invoicing-through among the larger societies which suspect that it often puts them inthe position of receiving supplies at less favourable terms than their competitors are obtaining even allowing for the wholesale dividend. The wholesale societies claim that this is not so. As the actual terms of invoicing through agreements are shrouded in secrecy it is difficult to give an opinion either way. If the claim of the wholesales is justified the terms of these agreements should be made known to the retail societies.

(e) Production and other Activities of the C. W. S. :

The productive activities of the C. W. S. date back to the year 1873. In order to provide the retail societies with goods required by them, factories for manufacturing biscuits, boots, jam, soap, candles, washing powder, flannel, hosiery and various other articles such as pickles, furniture, clothing, brushes, were started during a period of 20 years. Printing works were opened in the year 1895 at Manchester. In 1876, the steamship Plower was built in order to convey the Society's own goods from various places. In order to undertake large-scale farming and fruit-growing and generally for agricultural purposes, Roden Estate was purchased and it was followed in 1913 by the purchase of a farm admeasuring about 10240 acres in Canada. Thus the C. W. S. has been operating about 200 factories, mills, farms, and other productive enterprises and producing as wide a range of goods as any other single undertaking in the world. These consisted of food, clothing, furniture and household goods of many kinds. The gross value of its productions in 1955 was £ 129 million. The C. W. S. also offers its services as architect, builder, auditor and trade adviser. Nearly 52,000 employees are engaged in the various departments of the C. W. S. There are obviously advantages and disadvantages in entrusting the management of the affairs of so large and varied an enterprise as the C. W. S. is to one Board of Directors who are laymen. The question posed is whether the Board would be in a position to efficiently handle such a diversified undertaking. In a big undertaking which facilitates pooling of resources, trading results are a source of financial strength but might exhibit weak-

nesses of operation. Mistakes that are brought to light in a specialised society may go unnoticed and unremedied, if they are only an insignificant part of a large business. There is also the likelihood of insufficient attention being paid to the personal demands of customers in a large concern which is generally judged by its total results rather than by performance of several departments in it. In order to overcome these handicaps it is often suggested that member-societies would be better served by having a series of nationalist special or regional societies rather than concentrating too much of heterogenous business in the hands of a single undertaking. Various activities of the departments handling articles like soap, cigarettes, travel, mineral waters, architecture, travel service, printing, trade service and other goods compete for the delegates at the meetings of the Wholesale. Really the delegates get baffled by so wide a range of subjects to discuss. Thus there is a case for reconsideration of the functions and machinery of the C. W. S. A little reflection will show that it is not worth sacrificing the many advantages that accrue from a closely knit undertaking like the C. W. S. which is a Federation of nearly 1000 separately owned and organized institutions and deriving its strength from them. It is no use creating a series of specialist societies for each of the varied activities of the C. W. S., as the financial strength derived from pooling of resources of all the societies would be lost and finance and experimentation in regard to risk-taking would also be more limited. It is apprehended that the various specialist-societies would create as many more problems on the retail side than it is supposed to solve on the wholesaling and production sides. It would be worthwhile considering that the Board of Directors should not delegate more responsibilities to committees and departments even if it involved the creation of a larger directorate to push further the principle of delegation. Frequent contact between the buyers of retail societies and those that occupy responsible position in the organizations is a sure way to rectify lack of response to local demand. If the C. W. S. is to be what it was intended to be from the very outset, nothing should be done whereby democratic control and ownership are weakened. Another problem that has a bearing on the future development of the co-operative consumers' movement in Britain is in what way the wholesales may enable the retail societies to meet the challenge of the private multi-purpose shops for capturing

business and to make the blandishments of private supplies less attractive to them. This question is really worth examination. What happens at present is that a retail society invests its surplus capital in the C. W. S. but that does not imply that C. W. S. goods will necessarily be purchased or that the C. W. S. will be requested to supply goods of other makes. The large societies are no doubt in a position to obtain better terms from the private manufacturers or wholesalers but the smaller societies are not in such a position. If the C. W. S. were simply to cater to the needs of smaller societies only, both the wholesale and the smaller societies would operate at a considerable disadvantage. The wholesale can operate with the maximum of efficiency if it is in a position to buy for both in order to obtain the advantages of bulk purchases. Similarly, the C. W. S. is also at a disadvantage in selling its products, as it cannot sell them in the open market. Thus its production is limited to what its member-societies are inclined to buy. It cannot obviously approach the retail societies with a request to buy only those goods that it supplies, nor can it move its goods as freely as the Central Multi-Purpose Organization does. Nor is it in a position to create its own distribution points as it has to reckon with independent retail societies. The C. W. S. Trade Exhibitions frequently display goods which the retail societies do not always take advantage of, nor do the employees of retail societies see that there is an organic connection or relationship between the C. W. S. and the retail societies, although the latter are working as independent units. Even where the employees of retail societies are C. W. S.–minded, mass advertisment creates difficulties in dealing with customers and the best of C. W. S. goods are likely to be concealed beneath the products of its competitors and cannot be pushed unless the Branch Managers take keen interest. Whatever organizational changes may occur in the C. W. S. Committee structure or Management and however skilfully the C. W. S. publicity and propaganda may be arranged, it is obvious that the future will be determined by the attitude of retail societies and the behaviour of their buyers, employees and customers. In order to overcome many of the difficulties that are encountered in the pharmacy trade the C. W. S. has established the National Co-operative Chemists, Limited. At the end of 1955 it had a share capital of £ 83,826 and a loan capital of £ 1,61,239 and Reserve and Insurance Funds of £ 2,435. Its sales amounted

to £ 5,69,109 and it had stocks on hand worth £ 1,53,337. There is thus scope for development, especially in areas where societies are disinclined to form their own subsidiaries for providing selling points for dry goods.

The Commission next turns to the specific question of the marketing of co-operative productions and pursuit of right policies for keeping co-operative factories fully utilized for long production runs. In this context it may be noted that some factories are producing a standardized commodity essentially for stock with a view to keeping the production units fully loaded at the same time other factors are producing a wide variety of less standardized goods against specific orders only. Here the problem arises of co-ordinating the orders of numerous different societies in such a way as to reduce the number of short uneconomic production-runs and thus enable the factories to produce at lower cost. If a factory could reduce the number of small uneconomic orders and so lower its cost by more economic production the resulting lower prices may attract a large total volume of orders and so permit a fuller degree of utilization. Thus the Commission treats together the problems of ensuring a sufficient volume of total orders and of co-ordinating demand in such a way as to produce larger and more standardized individual orders. What are the responsibilities of retail societies in this matter? The blame for under-utilising the co-operative factories is often laid at the doors of the retail societies and the various changes suggested by the Commission at the retail end on other grounds would also improve the position of co-operative factories as well. The improvement in the number and quality of co-operative outlets is likely to increase the demand for co-operative products. If the expansion of outlets as envisaged by the Commission takes place it would revolutionize the situation. The rapid process of amalgamation would reduce the number of separate buyers, increase the average size of the order and so diminish the problem of driblet orders and excessive variety. The formation of national chains in certain trades would help to bulk and concentrate retail orders. The introduction of a uniform and uptodate system of stock control by retail societies would be a desirable reform. It is futile to expect co-operative factories to anticipate demands when retail societies themselves have no data of sales and stocks. Another responsibility that rests on the shoulders of retail societies is the negative one of not expecting the

factories to produce any and every commodity which they may want to stock and to match any and every private product which catches their fancy. Should not the retail societies be loyal to co-operative productions ? The Commission replies to this question by saying that it is not in sympathy with the loyalty approach in such matters. The first duty of a retail society, according to the Commission, is to the ordinary member and it is to give what he or she wants and not what the society thinks he or she wants. If he or she chooses to demand non-co-operative goods it is the society's duty to provide them. If the consumer specifies no particular brand of commodity and if price and quality are fully equal the retail society, is in the opinion of the Commission, under a national obligation to push the co-operative brand; where brand consciousness is weak the co-operative society should not merely stock co-operative brand but should give pride of place in self-service display; even where brand consciousness is strong the Commission has noticed that it is confined often to one or two well-known brands which may be stocked along with co-operative brand. When no brand is specified the co-operative brand only need be offered and there is no risk, in the opinion of the Commission, that the consumer will get disconcerted on those occasions. If co-operative brands are not supported the co-operative producers have a legitimate grivence against the retail societies which are showing both commercial incompetence and disloyalty. The Commission is not prepared to go beyond this. If co-operative members express preference for non-co-operative goods retail societies are, in the opinion of the Commission, under an obligation to satisfy them. If the co-operative factories producing similar goods are under-utilized the responsibility, according to the Commission, rests on the producer. Either his price or his quality or his sales techniques or his advertising outlay or his choice of product is at fault, he will have no right in that event to appeal to societies to ignore the declared programme of co-operative members.

(f) Buying panels and groups :

The Commission next considers how much responsibility should rest on retail societies for voluntarily bulking their orders amongst themselves. To co-ordinate the demand, recently machinery has been set up on the initiative of retail societies themselves viz. the buying panels of national co-operative managers' association and the regional buying groups. How far has this machinery been

successful? The Commission replies by saying that in certain lines they have had some success in making demand and making possible lower factory prices but in dry goods trade success has been insignificant as the total volume of business conducted on panel lines is very small. Many of the lines were already successful. A great majority of co-operative dry goods products are still untouched nor is the trend of panel activity sharply upwards. The Commission ascribes this relative failure to basic weaknesses in the system itself as mentioned below:—

(1) In a voluntary and representative system only a small minority of societies can have members on its panel. The success of the panels selection depends on the support of the great majority of buyers who themselves have no voice in the selection. Often this support is not forthcoming whether for good or bad reasons and the actual volume of orders has been far below that estimated by the panels.

(2) The large societies which account for the great bulk of the movement's dry goods demand are not enthusiastic about the method of choosing panel members by the vote of other buyers and such a method cannot necessarily be relied upon to throw up the best buying talent available to the movement.

(3) Lastly the system is most unwieldy. A representative panel of elected buyers from all parts of the country relying mainly on the circulation of samples and trying to satisfy the whims of hundreds of other buyers is a ponderous instrument for a dynamic buying policy. It is so cumbrous that it is difficult to imagine that any commodity panel could deal with more than a small fraction annually of the lines in its own trade.

For these reasons the Commission has concluded that these weaknesses are fundamental and that the panels are not going to solve the movement's production difficulties. If other solutions are in course of preparation they may have a certain role to play. As regards the regional buying groups established in some parts of the country they have natural advantages over the panels as they are small and compact groups. They can meet more often and deal with a wider range of goods. All the buyers concerned normally sit on the buying committee. Since the member societies

are fairly close together stock can sometimes be transferred from one society to another, and a firm's estimate of the total quantity required can be given and one of the advantages of the multiple organisation can thus be had. Sometimes criticism is levelled against these buying groups that their main object has been to obtain lower prices from manufacturers whether co-operative or private and by bulking demand not to keep co-operative factories fully employed and a further criticism is also levelled that they encourage undesirable competition between C. W. S. and C. P. F. factories. The first objection is answered by the Commission by saying that it is a wholly legitimate objective while as regards the second the Commission states that it is not an argument against the groups but for better voluntary co-ordination between the productive organisations. Further it is complained that the groups are exclusive to societies in a particular area and other societies are debarred from joining them. This complaint is true but a natural remedy for societies which are feeling excluded is to form similar groups in their own area according to the Commission. The Commission further opines that the regional buying groups perform sometimes a useful function; they bulk demands, provide information about retail requirements, exchange information about sources of supply and exert a legitimate retail pressure on producers. Because of their compactness they can do these things more effectively than national buying panels. After all the Commission believes that their function is a minor one and the responsibility for demand for co-operative products and co-ordination for demand must rest with the wholesaler or producer. It cannot be transferred to the retail society. If it were to be, the movement would not only need a complete chain of buying groups covering the entire country and each with representatives of production and wholesale organisations on it, but would in the opinion of the Commission, need a new central organisation also to co-ordinate the buying decisions of the various groups. This would imply the duplication of the function and organisation of the wholesale societies. The Commission is under the impression that those associated with the groups would readily concede that it is not the business of retail societies to co-ordinate demand but the groups were doing the work because wholesale societies were unwilling to do it. Some supporting evidence according to the Commission is forthcoming to show that a minority of individual factories have been able to

attract large orders, keep their factories loaded and sell their goods at competitive prices without any kind of assistance from groups or panels. The Commission further avers that the buying groups can at best be only a partial answer to the problem of selling co-operative goods. The need for co-ordinating demand is relevant only to a minority of co-operative goods. In most dry grocery and many dry goods lines where production is stocked and commodity varies little from year to year, the size of individual order is comparatively unimportant from the production point of view. What simply matters is the total quantity ordered and this can be increased by greater efficiency and enterprise on the part of the producer according to the Commission. It is only in the textiles and footwear that the question of co-ordination arises and that buying groups are relevant. The Commission concludes by saying that buying groups cannot be considered a basic solution to the limited problem of co-ordination still less to the larger problem of increasing co-operative production generally. They may have a useful subsidiary role to play in the dry goods field and they all have a temporary role if the recommendations of the Commission regarding reforms of their organisation and policies are accepted by the wholesale societies.

(g) The responsibility of the producer :

The main responsibility for the success of co-operative productions must in the opinion of the Commission rest on the producer aided by successful merchandising on the part of the wholesaler. The Commission now considers how the specific merchandising problems of co-operative factories should be approached. First the reorganisation of the management and structure of control of the two wholesale societies suggested by the Commission should improve the calibre, initiative and enterprise of management at all levels. This would apply to production units; it would raise the average level of manufacturing and sales efficiency to the high the standard reached by a few outstanding factories. Secondly, if the risk of under-utilisation is to be eschewed the choice of what to produce should be subjected to a process of economic calculation as to costs and expected returns on capital. Goods should not be produced either under the pressure of retail societies or under a vague idea that the movement should produce everything sold in the co-operative shop. Again decisions of what to produce should be biassed towards those products in the manufacturing of which the

co-operative movement has natural advantages by virtue of voluntary integration. Besides efficient production there should be a pruning of a number of lines produced. The Commission, however, recognizes that any improvement from these changes is slow to take effect as the movement cannot close down factories or the existing lines or switch them to other uses in the twinkle of an eye; if policy is gradually adjusted to these basic principles the likelihood of full utilization will steadily increase. Lastly, if a rational structure of charges for wholesaling were applied to co-operative products the problem of driblet orders, short runs etc. will according to the Commission be greatly eased; moreover full quantity rebates should be given on a normal commercial scale. Full economic price should be charged for small orders and specials; goods delivered directly from factory to retail societies should not carry a full wholesale charge and the Commission opines that a greater discipline should be introduced in respect of the dates of orders and delivery. These measures would help to retain the custom of large societies which go at present to private manufacturers in search of quantity rebates and by encouraging larger orders and less variety would lower prices to all societies both large and small.

(h) The relationship between wholesaling and production :

The next question to answer is where should the responsibility lie for the successful merchandising of co-operative products ? Should the buyers of wholesale units decide on what to produce or is the management of the production unit to decide ? Again with whom should the ultimate responsibility lie for sales promotion and keeping the factories fully occupied. Bound up with this are the future questions of the right of the factories to sell outside the movement and the right of the buying units to wholesale goods that compete with co-operative productions. These questions are replied to by the Commission seriatim. For a clear understanding the role of the buyer and that of the producer should be clearly distinguished. In the opinion of the Commission these are very different and the buying organisation which is also responsible for a number of production units is liable to suffer from split personality; as a buying unit its duty is to provide the most competitive goods which it can buy regardless of their source and thus serve the retail units, but as a producing organisation it feels a duty to cover its whole production and undertakes a risk of favouring them

whether or not they are competitive. The temptation has become greater to-day in some co-operative lines as factories are under-utilized and losses are being incurred. The essential buying and merchandising duty is to maximise retail sales whatever the source of goods and this duty is forgotten and only how to keep the factories going is only thought of. The Commission observes that at this point there is a growing insistence on loyalty of retail societies and a reluctance to wholesale goods that compete with co-operative productions. The consequence of this attitude must eventually be, according to the Commission, either that societies would desert the wholesale in order to buy the goods they want from private manufacturers or they may nominally remain loyal and would fail to increase the retail sales. In either case the Commission apprehends worsening of the relations between the retail and the wholesale societies. According to the Commission these dangers can be avoided if the split personalities are banished first by

(a) a recognition that buying and production functions are different,
(b) secondly by establishing the principles on which each function is to be performed,
(c) thirdly by laying down criteria by which conflicts between the two functions can be resolved,
(d) fourthly by creating an organisation within which each function can be effectively performed.

If the fact that the two functions are different be recognized the principles on which they should be performed are clear enough. As a buying unit its duty is solely to serve the retail societies. If this requires it to wholesale goods that compete with its own productions it is under no obligation to do so, just as retail societies have a duty to buy non-co-operative goods if consumers showed a preference for them. The function of the production units on the other hand is to keep their own factories going and expand their sales to the greatest possible extent. They should do this not by pathetic appeals to co-operative loyalty but by generating maximum efficiency and going out to sell their goods. Just as retail societies are entitled to buy from non-co-operative producers so co-operative producers have an equal right to sell to non-co-operative consumers but if the choice to produce is dictated by conditions already referred to the number of occasions on which outside sales which are essential to the profitability of a factory

would not be large. As regards the conflicts between the two functions already mentioned they can, in the opinion of the Commission, be resolved by the application of uniform economic criterion viz. the return on capital This test would also be applied to decisions between wholesaling and production; each wholesaling and production unit should keep separate accounts on the basis of a clear allocation of working capital and internal transfer costs. These accounts should be examined by the Central Auditing Departments. Only in this way can the management have a clear picture of what return on capital each unit has earned, according to the Commission. It can then efficiently allocate capital between competing uses and judge disputes between production and wholesaling units by reference to a uniform criterion, according to the Commission. Turning from the principles to the organisation itself what is needed is, in the opinion of the Commission, a structure which recognizes not only the distinction between wholesaling and production function but also provides a method of resolving disputes between them on the basis of this criterion. The distinction between the two functions is so important that the Commission favours the creation of separate production and wholesale executives under the top management board with conflicts resolved at the level of the board. Retaining the distinction between the food and non-food articles the creation of a series of vertical commodity divisions embracing both producing and wholesaling units is also favoured. A number of such divisions have already been formed by the C. W. S. in the dry goods trade each controlled by a 3-man executive consisting of production and merchandising and a sales officer. The Commission prefers to see one man in charge of each division and not a committee and it favours the extension of principle of commodity division throughout both the wholesale societies. Conflicts would have to be resolved in the first place by the head of each division with a right of appeal in difficult cases to the executive board. Within these broad principles the detailed merchandising policy will naturally vary with each commodity, for instance, in the case of imported food stuffs the distribution of which is already characterized by high degree of vertical integration the sales responsiblility must rest, according to the Commission, with the importer. In lines where co-operative brands sell readily there is no need to wholesale competing brands. At the other extreme in the case of fashion

goods, it is the producer who alone manufactures goods and sells them by a mixture of quality, reputation and judicious advertising. It would be natural to expect the production units to take up the major responsibility for sales to the larger societies whether through wholesale unit or direct. In many non-fashion dry goods on the other hand, what is required, according to the Commission, is specification buying by an able and dyanamic wholesaler in touch with retail side and to plan larger orders. Here the responsibility both for deciding production policy and selling the goods might rest with the wholesale unit. In the case of heavily branded merchandise a different policy may be followed, according to the Commission. Where a co-operative brand is also produced the producing unit should, in the opinion of the Commission, take responsibility for advertising and promoting its own brand but since non-co-operative brands may be demanded by the consumer the wholesale unit is recommended to be neutral between co-operative and private brand and freely wholesale the latter in the interest of increasing retail sales. According to the Commission, a further distinction will be made between the sales to the large and small societies. The large societies may wish to buy direct from the factories withou thet intervention of the wholesaler while the small societies will continue to need the wholesaler, to bulk orders and to select merchandise on their behalf. Other questions require *ad-hoc* decision on the scale of advertising expenditure and the advantages accruing from branding of goods produced by private manufacturers. About the latter the Commission opines that nothing can be laid down in general terms as each case will have to be dealt with on its own merits. As regards advertising the Commission states that heavy advertising will often be a condition for the success of co-operative productions and it must be incurred if co-operative goods are to compete with private goods. It is not a socially wasteful expenditure so often assumed in the co-operative movement; on the contrary the Commission believes that it leads to higher sales resulting in a greater volume of production and lower unit costs in production and lower prices. As such it confers positive advantages, according to the Commission, on the final co-operative consumer. The question how much advertising is necessary and who should undertake it—whether the seller or the producing unit—will be decided on the merits of each case. The Commission further emphasizes that the responsibility for merchandising and sales

promotion must in each case be explicitly placed on the other unit, and the unit concerned should fulfil it without demanding special considerations on grounds of loyalty by the exercise of its initiative, and ingenuity.

Management and Control of the C. W. S.

Relations between the C. W. S. and its member secieties are similar to those that obtain between the individual retail society and its own members. The affiliated societies own and control the C. W. S. and this control is democratic on the Rochdale Plan. Voting strength of members is based on purchases made and not by the amount of shareholding. In the C. W. S. each member-society has one vote in virtue of its membership. one additional vote for the first £ 12,500 worth of goods purchased from the C. W. S. in the previous year and one additional vote for each succeeding £ 25,000 of purchases made. Thus the ultimate control of the affairs of the C. W. S. is exercised through the votes of the representatives of retail societies assembled at the meetings. The Board of Directors of the C. W. S. consists of 28 full-time members and is elected by the Managing Committees of member-societies, a fraction of the directors retiring each year with a right to get re-elected. The Board elects one of its members as its President. The whole area of the C. W. S. is divided into six districts in which preliminary elections take place in order to decide which of the candidates are to be submitted for National Election. Each district is given a seat in proportion to the total of C. W. purchases of the societies operating within that district. The term of office of a director is for five years and he gets an initial salary of £ 1350 per annum which rises by five annual increments to £ 2000. This salary is attractive only to those society-officials who are less well-paid by their own societies and to those who have no technical qualifications. In private industries, the scale of salary for comparable posts is considerably more. Thus, the chief officials of the larger retail societies are not attracted to the directorship because their salaries are correspondingly high. But a directorship of the C. W. S. does carry with it high prestige within the movement and the responsibilities of office are less direct and personal than those attached to the post of a Secretary or a General Manager of a large retail society, although a director of the C. W. S. can contribute a good deal to its progress by his diligence and zeal. The Board of Directors of the C. W. S. works through a number of

main committees and sub-committees, each of which has full executive authority over the business assigned to it. The main committees into which the Board is split up are :

(i) *Finance and Service Committee* :—This Committee deals with matters relating to banking, trade, insurance, accounting, cost accounting, estates and properties, the Credit Department, staff wages and other general matters. It examines proposals made by Trading Committees for capital expenditure and reviews the trading operations in so far as these affect finance. One of the Finance Sub-Committees deals with publicity and publications, technical and market research, the travel service and staff and welfare questions. Another is in charge of engineering, building and architecture, Traffic, Motor Trade, Wagon works and staff and matters relating to wages.

(ii) *Grocery Committee* :—This Committee with two sub-committees covers a wide range. It deals with the Overseas Depots, the Grocery and Provisions Department at the main centres, sale offices, warehouses, the Fish Department, Steamships, pest destruction and the like. Each of the Sub-Committees deals with a number of factories, offices, farms and business at home and abroad.

(iii) *Drapery Committee* :—The Drapery Committee looks after matters relating to general dry goods with the assistance of sub-committees for boots and textiles.

(iv) *Wages Committee*:—The Wages Committee consists of two representatives, each of the Finance, Grocery and Drapery Committees. It is responsible for looking after matters relating to wages and conditions of employment, pension schemes and staff promotion. Items like appointment of Managers and Buyers and their transfer or dismissal have first to be considered by the main Committee and their decision is subject to confirmation by the Full Board.

(v) *Retail Trading Committee* :—There is also a Retail Trading Committee consisting of three members each from the Finance, Drapery and Grocery Committees. Its business is to consider the relations of the C. W. S. with C. W. S. Retail Society, Ltd., and with any other retail society or societies which are supervised or managed temporarily by the C. W. S.

(vi) *Policy Committee*:—A Policy and General Purposes Committee has been recently created whose business is to make

recommendations on all questions of major policy and development. It consists of the President and the Chairmen of the Finance, Grocery, Drapery and Wages Committees respectively. The Board may delegate to or vary or withdraw from Committees any of the powers and duties they normally exercise and it has to approve such proposals as purchase of land and buildings, capital expenditure in excess of the limits prescribed and to make arrangement with competitors. The Sub-Committees, Main Committees and meetings of the Full Board are so arranged as to facilitate handling of business with expedition. In the disposal of business of the C. W. S., the Board has adopted the principle of collective responsibility—a principle which is at once a source of strength and weakness also, because it may mean limited liability in making decisions and unlimited liability in regard to throwing the blame on others for the results. To control the complicated and multifarious business of the C. W. S. it is necessary for the members of the Board to read extensive minutes, memoranda and reports and attend many meetings of committees and sub-committees. A considerable volume of paper work is necessarily involved and it must tax not only those that read them but also those that have to prepare them. Thus the members of the Board of Directors have no time to go round the Factories or other establishments with a view to getting themselves acquainted personally with the work involved but have to depend on reports submitted to them by the General Managers and Managers in charge of Factories, though mutual consultations take place often between the members of Sub-Committees or Group or Factory Managers.

(c) *Management and Control of the S. C. W. S.*:—The affiliates control the S. C. W. S. and this control is democratic on the Rochdale Plan. Voting strength of members is based on the purchase made by the retail societies during the preceding quarter of the previous year. One vote is granted to each member-society in virtue of membership. The Society making the highest purchases in the preceding quarter is further given 50 votes. Once 50 votes are allotted in favour of a particular society, the remaining societies are then allotted votes according to their purchases, the ratio being fixed by the 50 votes given to the highest purchaser. Thus the ultimate control comes to be vested in the hands of retail societies. Only a small percentage of employees have taken shares. In 1952 only 36 employees had shares and the proportion worked out to about

£ 32 per head. The employee-members have their own Employee Shareholders' Association, which is a member of the S. W. C. S. The Association has a right to nominate representatives to attend the Shareholders' Meeting of the S. C. W. S. on the basis of one by virtue of its membership and additional votes at the rate of one for each 150 members of the Association. The retail societies are allowed one representative at the S. C. W. S. Shareholders' Meeting for each vote. Meetings are held quarterly either in Glasgow or Edinburgh and an Annual Balance Sheet is presented to the June Meeting. The S. C. W. S. Board consists of 13 members including the President and the Secretary. The term of office of a Director is for two years. Nominations are invited from member-societies and voting is done by eliminative postal ballot. The Board divides itself into three Sub-Committees and President and Secretary take their place on these sub-committees as ordinary members. There are Sub-Committees for Finance and Property, Grocery and Furniture. The delegation of duties to directors is more definite than is found in the case of the C. W. S. Each Sub-Committee has its own Convener who is answerable for his special section to the Main Committee. The small size of the Board makes this possible. Many of the problems confronting the C. W. S. are also shared by the S. C. W. S. It has shown considerable alertness and shrewdness in its business activity.

(i) **Control and management of wholesale societies :**

The system of management of the two wholesale societies, according to the Independent Commission, is somewhat surprising in that it is distinctly unorthodox, judged by either the co-operative or commercial standards; its conspicuous feature, in the opinion of the Commission, is that the democratically elected board has also full time managerial responsibilities. This is quite unusual as according to normal co-operative practice the elected committee is part-time confining itself to the democratic function of ultimate supervision and control leaving the full-time day-to-day management to professional officials. The system which operates, therefore, in the wholesale societies is an exceptional one. In the opinion of the Commission, the system is not appropriate to present-day conditions because it mixes up two functions—(1) democratic control and (2) professional management—which should be clearly distinct. Both the character of the elected body and the personal qualifications for carrying out these two functions are profoundly

different, according to the Commission. In the first place a democratic representative board in a business organisation should normally be part-time. In its composition it would be largely lay. In its selection due regard should be paid to the need for fair balance of different interests represented. Thus in the C. W. S. elections are on a sectional basis and in both England and Scotland the Commission has found a desire to maintain a balance between Ex-directors and Ex-Officials large and small societies etc. and the personal qualifications required are those of the intelligent layman and not those of the technician or the expert. In the opinion of the Commission an Executive Managerial Board needs to possess an opposite set of characteristics—it must be full time and wholly professional in character no regard being paid in its selection either to maintaining a representative or geographical balance of interests and the personal qualifications required should be professional ability or experience of the techniques of large scale managment. It is thus obvious that a board elected on either set of principles would only be ill-adapted to carry out the other set of functions. A democratic board if fairly chosen on a representative basis might well be unsuitable to manage according to the view of the Commission. A managerial board if carefully chosen for ability will not necessarily be representative. This confusion mattered less in the past when the wholesale societies were smaller and management techniques primitive but to-day, the Commission states that the wholesales are amongst the largest commercial concerns and the nature of modern management has undergone a change. Both efficiency and democracy must suffer if the confusion was allowed to continue. The observations of the Commission in this context which are applicable to retail societies are also equally applicable to the wholesales. On the side of efficiency, the scale, complexity and a technical intricacy of modern business call increasingly for expert specialised and technical control. The layman, however, hardworking and intelligent is no longer adequate in the opinion of the Commission. The full-time management of a large concern with a vast annual turnover and simultaneously engaged in manufacturing, wholesaling and even retailing must, in the opinion of the Commission, be vested in a technical board chosen solely on grounds of professional ability and not in a predominently lay board on a representative basis. The Commission is of course aware that the wholesale societies' boards do include

ex-officers of retail societies who have rendered excellent service in the past, but this does not quite meet the commissions' point; it cannot be said that all the ex-officials have had previous experience of large-scale production or wholesaling; besides the Commisssion does not think that the ablest officials of retail societies are ready to stand for election as they are not sure of being chosen. For a system of election, according to the Commission, would confer an advantage not necessarily on candidates with the best professional qualifications but rather on those whose previous position has allowed them to gain public prominence in the movement. What the Commission wants to emphasize is that there is no certainty that the boards will have the requisite characteristics even though a proportion of ex-officials of outstanding qualities is elected. According to the Commission, the present system also fails to fulfil the essential requirements of democratic control.

The elected directors, the Commission adds, are so immersed in detail, so harrassed by constant journeys and meetings, so distracted by the multiplicity of their obligations, that they have insufficient time to sit back and think and to debate and scrutinize the overall policy and future prospects of the organisation. Thus the essential role of democratic element viz. general supervision of major policy tends to go by default in the opinion of the Commission, because the organisation is too nominally democratic. An elected and representative body should be absolved from the day-to-day management tasks which are strictly irrelevant to the question of control and be free to carry out the task of ultimate supervision. A reform which makes an explicit dinstinction between the function of management and that of democratic control would thus be in the interests both of democracy and business efficiency. The Commission next goes on to sketch the outline of reform and discusses further the functions of democratic control. This in its opinion should be exercised in each wholesale society by a representative body elected in the same way as the existing boards and designated as the lay supervising council. To begin with, this council should consist of the existing directors of the wholesale societies but they would be ultimately part-time and continue full-time and be given special responsibilities; the Commisssion it may be noted does not immediately propose that they should be part-time as by this change no loss of salary or emoluments is involved. The transition in this respect should be accomplished by electing part-time

directors as and when vacancies occur. During the interval while a substantial portion of the council remains full-time they should form themselves into an *ad-hoc* reorganisation committee meeting more frequently than their part-time collegues and charged with the task of supervising, the structural changes proposed by the commission in the wholesale societies. The size of this reorganisation committee should diminish as vacancies amongst the full-time members occur. A complex transitional problem will, according to the Commission, arise in respect of subsidiaries or joint organisations on whose boards the directors of the wholesale societies are now sitting. Though there is a variety of such organisations differing in size, purpose and character a greater number consists of production enterprises which have the same basic requirements from a managerial point of view as those of the production units of the wholesale societies. Where this is the case the Commission recommends that the full-time boards or executive boards, be chosen to be directors on these bodies and not from the supervising councils which are part-time. The case of each subsidiary should be examined by the *ad hoc* reorganisation committee and take *ad hoc* decisions in each case. In the case of co-operative retail services or the national chemists they would be the responsibility of the retail development society. What changes in the composition of the boards of these subsidiary bodies are required may be decided on common sense grounds as the Commission disfavours that a simultaneous upheaval should take place in these subsidiary bodies while at the same time the parent bodies are being reorganised. The next question is who should make, appointments to these boards? In the case of small subsidiaries the Commission thinks, that the management board should make the appointments but in the case of big ones such as Anglo-Scottish Society it is the supervisory councils themselves that should do so, for example in the case of Co-operative Insurance Society a joint finance committee of the English and Scottish Supervisory Councils should appoint the board which should be drawn from the management boards or the executives of the C. W. S. and S. C. W. S. The new board of the C. I. S. would have the same functions as the present board and would be responsible to the joint finance committee mentioned above. A similar pattern may be suitable for other joint organisations. According to the Commission, the Supervisory Council would, apart

from the president, be part-time in character and renounce responsibilities of active management and confine itself to the supervision of major policy. The functions of the councils as set forth by the Commission are as follows:-

(1) They would appoint the members of the full-time professional management boards and determine their salaries and conditions of employment They would also appoint the boards of the most important subsidiary organisations such as the C. I. S. and the English and Scottish Joint C. W. S.

(2) They would receive and scrutinize detailed and regular reports and accounts from the management boards.

(3) Their sanction would be required for all major policy decisions such as capital expenditure over a certain amount or decision to undertake and abandon a major line of production and for the appointment of the subordinate executives.

(4) They would represent the production and wholesale wing of the movement on all representative and political occasions such as Congresses at home and abroad, paternal delegations and occasions of ceremonial or government character.

(5) They would in particular perform a liaison and public relations role as between the retail wing and the production and wholesale wing. They would seek to represent to each the views and suggestions of the other. Their role would thus be primarily a trustee and supervisory one exercised on behalf of member societies. Because they would be released from the burden of detailed management, it would ensure that the supervisory functions would be more effectively carried out than in the past. As regards other details the Commission recommends that the Council should meet monthly. Although the members are part-time the President should be full-time who would also take the chair at the formal meetings of the management board. In view of the importance of the supervision function assigned to the board there is a case, in the opinion of the Commission, for enlarging the size of the councils beyond that of the present boards—for example by electing 16 members to the English Council

as the tasks of supervision and liaison can best be performed by a comparatively large body.

(d) *Banking Activities of the C. W. S.*—The C. W. S., in addition to its many commercial, industrial and trading departments, has its own banking organization It is the co-operative principle that capital in a co-operative concern should not enjoy a predominent position but be relegated to that of a servant getting reasonable remuneration. In accordance with this principle, the Co-operative finance has been centralised and managed through the C. W. S. with a view to keeping capital in its proper place. Thus the Banking Department of the C. W. S. is controlled by the Retail Societies. The statement indicates the total resources, balance and accounts and turnover of the C. W. S. Bank for a period of two years ending with 1955 as shown on the next page.

First opened as a Loan and Deposit Department in 1872, the C. W. S. Bank has operated in its present form since 1875, and is now recognized as one of the most important banking institutions in this country. The Bank provides complete banking facilities to the Co-operative Movement, and, in addition to co-operative retail societies, number amongst its clients the majority of trade unions, many local government and other public authorities, friendly societies, etc. In addition it handles many thousands of accounts of private individuals. All the services of a modern bank are available to depositors, including the transactions of foreign business, advice on investment, arrangements for drawing cash while travelling at home or abroad, safe custody of valuables, etc.

In accordance with sound co-operative principles, the surplus earned by the Bank is divisible amongst its depositors. This is effected by means of interest on the various classes of accounts, which commonly are more favourable than those of other Banks.

The S. C. W. S. has also established its own banking organization, though much later than the C. W. S. Particulars regarding the resources, the turnover of business in current and deposit accounts etc. are given in the table on page 200.

The future of the wholesale banks :—

If the assumption made by the Independent Commission is correct that a desirable rate of retail expansion would over the next decade absorb almost all the reserves (apart from the minimum liquid reserves) now available in both retail and wholesale societies other

C. W. S. Bank

(A) Resources

Year.	Cash and Bank Balances	Other Liquid Funds	Investments	Overdrafts	Total Resources
	£	£	£	£	£
1954	87,05,566	1,96,09,106	14,75,27,309	3,00,93,108	20,59,35,089
1955	83,85,853	1,83,58,784	14,10,71,279	3,54,57,037	20,32,72,953

(B) Balances

Year	Current Account	Deposit Account	C. W. S. Trade Department Current and Deposit Accounts	Reserve Fund
1954	4,47,21,590	6,05,47,330	8,70,33,898	17,77,787
1955	4,96,53,257	5,55,08,740	8,33,12,241	20,04,818

(C) Accounts and Turnover

	Number of Accounts		
Year	Current	Deposit	Current Accounts Turnover
1954	93,017	58,197	3,61,39,79,540
1955	96,246	58,067	3,99,42,75,753

S. C. W. S. Bank

(A) Resources

Year	Cash and Bank Balances	Other Liquid Funds	Investments	Overdrafts	Total Resources
	£	£	£	£	£
1955	4,04,852	...	1,90,66,180	5,94,556	2,00,65,588

(B) Balances

	Current Account	Deposit Account	S. C. W. S. Trade Current and Deposit Accounts	Reserve Fund
	£	£	£	£
do	23,01,009	81,48,979	94,24,886	1,90,714

(C) Accounts and Turnover

	Number of Accounts		Current Accounts Turnover
	Current	Deposit	
	£	£	£
do	2,181	3,862	44,81,18,569

sources of finance would have to be found. In the opinion of the Commission, the most obvious means of acquiring new co-operative capital would be for the wholesale banks to extend their private banking business. Some proportion of new deposits depending on the ratio of advances to total deposits the banks had adopted would be available for lending to the movement. Considerable progress in this direction has been made by the C. W. S. Bank in particular. While co-operative balances have remained practically stationary non-co-operative balances have risen four-fold and now constitute more than 50% of the total. It is possible that some of the additional business might have been obtained at a heavy cost but the fact remains that it has served to augment the lending powers of the bank. According to the Commission criticism is levelled that future progress depends on the separation of the Banking from the Trading Departments and the creation of a separate co-operative bank. Both logic and analogy with the insurance and building societies support this course but the Commission states that it has neither received nor discovered any evidence to show that separation would lead to larger increase in business. In its opinion, more important than the organisational structure is the number of proper banking branches. If their number could be increased the Commission believes, that there would be scope for a considerable expansion of personal as well as institutional business. The habit of banking and the use of the cheque are spreading rapidly through the population and co-operative members, in the opinion of the Commission, would demand ordinary banking facilities and these should be provided to the extent that resources allow. Though expansion of banking business would be welcomed, the Commission sees little sign that the total of co-operative reserves would be increased thereby over the next few years.

Branches of the Wholesales :-

It has already been mentioned previously that both the Wholesale Societies have got their own retail branches. While the C. W. S. has organized a separate retail society to conduct the local branches, the S. C. W. S. has started its own branches and controls them from the centre. Both the Wholesales have had to enter retail trade for different reasons. In the case of the S. C. W. S. Branches meant new outlets for S. C. W. goods and its entry was motivated by a desire to carry co-operation into the " highlands and islands of Scotland". The S. C. W. S. has carried the enter-

prise through the modern premises and travelling shops to barren areas which would otherwise have not reaped the advantages of co-operative distribution. When the S. C. W. S. took over the management of some of established retail societies in order to develop them as they were sufficiently near at hand from the centres of co-operation, there were many critics who saw in the move initiated by the S. C. W. S. a sort of weakening of the fundamental basis of co-operation, viz., self-reliance and mutual aid. The Branches of the S. C. W. S. have been grouped for administrative purposes into fourteen areas. Advisory Committees are set up and meetings of members are regularly held and a uniform dividend policy is adopted for all the Branches. Critics also appeared on the scene to accuse the C. W. S. also in a similar way when it began its rescue operations in 1930's and in depressed areas through its organ, the Retail Society, Ltd. Many retail societies would not have survived the impact of economic depression without the financial backing of the C. W. S. and even its supervision over their affairs. Of the 24 Branches of the C. W. S. Retail Society, Ltd., 13 were in Wales. Local Advisory Committees are elected and the Branches are represented at the meetings of the members of the Retail Society. It may be noted that the action of the C. W. S. has served to restore confidence in co-operative business, but the kind of self-confidence that is needed on the part of the Managing Committees to shoulder the responsibilities of running the enterprises is still wanting. Critics are disappointed in that the C. W. S. also has still not succeeded in its efforts in converting the co-operative deserts into smiling gardens. There are certain barren areas, which are badly in need of co-operative irrigation to bring them back to life and so far the efforts of the C. W. S. have not been crowned with success. Local societies it may be noted, are too weak to undertake the work of resuscitation and the C. W. S. steps in mainly for ambulance work. What is done is the provision for a joint machinery with the Co-operative Union for examining the conditions of societies in any area which the C. W. S. proposes to enter. The C. W. S appears at present not prepared to go beyond this.

26. Joint Enterprise of the C. W. S. and the S. C. W. S.:—the E. & S. Joint Co-operative Wholesale Society :—A successful joint venture launched by the C. W. S. and the S. C. W. S. is the English and Scottish Joint Co-operative Wholesale Society, Ltd.

Its share and loan capital in 1939 was £ 45,43,852 and the value of its production stood at £ 83,98,497, the corresponding figures for 1955 being £ 2,40,08,000 and £ 2,62,38,049 respectively. This Society trades in tea, coffee, cocoa and chocolates. The total number of employees on its staff was 17,263 and the amount of wages paid was £ 12,45,863. It owns tea plantations in India and Ceylon and its affairs are managed by a Board consisting of six C. W. S. and two S. C. W. S. Directors. The Annual Report and Balance sheet are presented to the meeting of the Directors of the two Wholesales.

27. The Co-operative Insurance Society :—Another joint enterprise of the two Wholesales is the Co-operative Insurance Society, Ltd. It is an important British Insurance Office throughout the world. The Co-operative Movement in Britain went into the insurance business in 1867, when the Co-operative Insurance Company was formed as a Federal Society, to insure the property of co-operative retail societies. In 1899 its title was changed to "Co-operative Insurance Society" by dropping the word 'Company'. For many years it confined its activities to fire and fidelity business, but finding that these lines were unprofitable, it went into life insurance business in 1886. As it adopted inefficient methods of doing business, it could achieve very little progress, and in 1913 it was taken over by the S. C. W. S. and the C. W. S. But at the time when it was so taken over, it was hardly a going concern. It began to make progress under the control of the Wholesales. In 1917 the C. I. S. absorbed the Pioneer Assurance Collecting Society, as a result of which it could utilise the services of local agents of the absorbed societies for the purpose of canvassing fresh business and collecting premia. It is practically a joint Insurance Department of the two Wholesales, although it is separately registered under the Industrial and Provident Societies Act. All types of insurance business are at present undertaken by this Society.

(a) *Membership and Share Capital* :—The C. W. S. and the S. C. W. S. are the only two shareholding members that have provided £ 52,500 as paid-up share capital, interest on which is paid at the rate of 5%.

(b) *Management and Control* :—The affairs of the Society are entrusted to a Managing Committee of ten members of whom eight belong to C. W. S. and two are S. C. W. S. Directors. The C. W. S. appoints as its nominees the members of the Finance

Committee and the C. I. S. is, therefore, considerably benefitted in that it has at its disposal the services of experienced men who bring to bear on their work a wide knowledge of the day-to-day operations of a large varied industrial, commercial and financial enterprise. The Insurance Society is formally responsible only to the two Wholesales. Still a summary of the C. I. S. balance-sheet and the results of its working are included in the Annual Balance Sheet of the C. W. S. and in one of the two half-yearly balance sheets of the S. C. W S. Thus the delegates of the Wholesales have an opportunity to discuss the affairs of the C. I. S.

(c) *Progress of the Society* :—Statistics showing the results of its working for the year 1941 are given below:-

	Premiums	Claims		Insurance Funds
		Number	Amount	
	£		£	£
Life—Ordinary.	16,32,458	11,856	8,27,579	3,71,40,084
Collective.	6,21,307	66,059	5,17,566	
Industrial.	65,09,792	3,01,152	24,08,437	
Fire.	4,30,417	33,858	1,53,758	5,23,801
Accident & General	10,57,188	33,890	5,99,661	8,26,467
Employer's Liability.	2,12,239	8,021	1,32,416	3,73,330

The progress of the Society at the end of 1955 was considerable as could be measured by the following statistics:-

Liabilities	£
Number of Members.	2
Paid-up Share Capital.	52,500
Sundry Funds.	5,48,200
Reserve and Aggregate Insurance Funds.	15,90,30,507
Sundry Liabilities.	45,73,097
Disposable Balance.	1,90,023
Total Liabilities.	16,43,94,327

Property and Assets	£
Fixed Assets.	5,48,550
Non-Trade Property.	1,32,47,200
Investments.	14,67,51,138
Loans due against Policies.	9,64,609
Cash on hand and at Bank.	11,92,270
Sundry other Assets.	16,90,560
Total assets	16,43,94,327
Premium income.	3,81,08,369
Net surplus.	24,23,384

The large scale operations of the society are indicated by following details of premium income for 1955 :-

		£
Ordinary Life		8,166,676
Collective Life	...	1,294,968
Industrial Life	...	21,111,614
Fire	...	1,704,221
Accident (Personal)	...	130,335
Motor	...	4,101,068
General	...	1,599,487
	...	£ 38,108,369

The number of employees in its service was 12,399 and the salaries and wages paid at the end of 1955 amounted to £ 18,55,209. The Co-operative form of organization is well suited for handling insurance business as it employes the pooling of risk with an emphasis on the principle of mutuality. The C. I. S. continues to be closely associated with the people because of its system of collective life insurance whereby the co-operatives may insure the life of their members by taking out corporate or bulk policy based on retail trade. Thus by joining a co-operative store and sharing its trade members get automatically insured. The *modus operandi* followed is somewhat on the following lines. Every member of a retail society which pays regularly to the C. I. S. the stipulated premia is automatically insured. The premium is paid by the retail society to the C. I. S. at the rate of 1-1/8d. per pound of its sales. Some societies pay only 1d. in the pound. On the death of a member of a retail society, the retail society pays the

sum provided in the scheme to a person nominated by the deceased. The sum to be so paid is based on the value of average purchases made by a member for a period of three years preceding his death, or is based on one full year's purchases prior to his death, whichever is smaller. In the case of the death of a husband the wife or other dependents receive 4 sh. per pound of purchases up to a maximum payment of £ 40, whereas on the death of a wife the rate is 2 s. up to a maximum amount of £ 20. In the case of a bachelor or an unmarried person, the rate is 5 s. up to a maximum payment of £ 50. In addition to the collective insurance, the C. I. S. covers fire, accident, employer's liability, motor and general insurance, burglary and fidelity. This business is written on ordinary business footing.

(i) *Investments of the C. I. S..*—The C. I. S. is disinclined to invest its funds in industrial concerns that compete with the co-operative undertakings, a factor which limits its sphere of investments. The terms on which policies are written and payment of bonus is made must ultimately depend on a satisfactory income from its investments. About 90% of its investments are made in gilt-edged securities, house mortgages and similar other securities. A small fraction of the total investments is in industrial debentures and ordinary shares of commercial joint stock companies are entirely eschewed. The C. W. S. Bank undertakes all the banking business of the C. I. S. The C. I. S. is also a member of the International Insurance Company organized by the International Co-operative Alliance through which it has built up contacts with co-operative insurance societies of other countries. It also effects re-insurance necessary to spread unusual risks with other co-operative insurance societies. Its full-time staff are members of the Trade Unions and service conditions are therefore, negotiated with the Trade Unions concerned.

Recommendations of the Co-operative Independent Commission to the Co-operative Insurance Society :

The Commission has already pointed out that upto 1951 the C. I. S. (Co-operative Insurance Society) made no contribution to the supply of retail capital not from any reluctance to do so but because no demands were made upon it but such demands are now increasing and may be expected to do so more rapidly in the future. Some co-operatives looking at its resources with envy think that it should lend to co-operative societies on specially

favourable terms. The first duty of the C. I. S., according to the Cmmission, is not to the co-operative societies as such but to its policy holders—many of whom are of course individual co-operators. It would not be right for it, according to the Commission, to sacrifice their interests by making loans at rates of interest significantly lower than those ruling in the market and thus the Commission refuses to criticise the terms on which the C. I. S. normally lends. Nor is it found to be reluctant for in the last few years it has been willing to lend larger sums than the co-operatives have been willing to borrow. Looking to the future the C. I. S. is willing to make funds available to retail societies for investment in suitable property over the next few years and these sums would be substantially above the present level of lending and would constitute important supplementary resources of the retail movement but this will not solve the capital problem of the movement for the next 10 years. At the most, funds obtainable from the C. I. S. will be only a faction of £ 90-120 million gap say one quater or 1/5th of the required amount assumed by the Commission.

The relations between the C. W. S. and the S. C. W. S.

The diseconomies of scale Independent Commission state that there has been since a long time a talk in the movement about the amalgamation of the two wholesale societies but the Commission has found no evidence in its support. There is sometimes mention of the dangers of overlapping and lack of co-ordination but the Commission states that advantages of amalgamation even if they accrue might be offset by the diseconomies of scale associated with a merger between these two vast undertakings. There may be in some fields of activity overlapping and duplication of effort but this is not so serious as to call for the extreme step of amalgamation according to the Commission. It can be dealt with otherwise than by amalgamation. Since on the production side, as the Commission suggests, that a Standing Joint Production Committee of the two management boards can be set up to strengthen the *ad hoc* consultations that already take place. Secondly the solution in particular cases might be the establishment of jointly controlled subsidiaries on the analogy of the C. I. S., the E. & S. joint C. W. S., and the British Luma etc. The principle of joint control may be extended to other cases where co-ordination is necessary. In the opinion of the Commis-

sion the existence of separate English and Scottish Societies is not a major weakness in the movement and their amalgamation has no relevance in the opinion of the Commission to the weaknesses outlined in its report. It would, in the opinion of the Commission, be wise to keep the matter under review and changed circumstances in the future might strengthen the argument for amalgamation but for the present the urgent task, in the opinion of the Commission, is the reorganisation of each wholesale society on the lines indicated by it.

Farming by Co-operatives and the Wholesales :

Not only the C. W. S. but also other retail disributive societies have entered into agricultural production. At the end of 1955 the C. W. S. owned no less than 33,199 acres of farm land, while 58 other societies owned 27,817 acres. The S. C. W. S. owned 1506 acres. The value of farm products in 1955 in the case of 58 societies was of the order of £ 16,03,030 and the value of farm output in the case of the two wholesales was £ 23,19,670 and the net surplus after charging interest and depreciation amounted to £ 1,13,900. In the case of the 58 societies, the surplus was £ 1,17,876. In case of some of the societies the aggregate deficiency was £ 37,593. Though the retail societies and the wholesales have gone in for farming, they have not been entirely successful, as it is not easy for the retail committee man to appreciate that a farm cannot be run on the lines of a grocery shop. Farming operations by consumer societies are encouraged by co-operators who dislike independent associations of producers under the belief that such associations challenge the sovereignty of the consumer. It should be remembered that consumers and producers have functions which are valid within their own limits and co-operation between them is essential to a sound co-operative economy.

SPECIAL SOCIETIES

Co-operative Housing Movement in Britain :

There is no co-operative housing movement as such in England, but there are the Housing Associations or Housing Societies which trace their origin over a hundred years ago, and predate Rochdale, the first one being founded in 1841. They came to be officially recognised as public utility societies under the Housing and the Town Planning Act in 1909. Most of these societies were

registered under the provisions of the Industrial and Provident Societies Acts and have formed a National Federation of Housing Societies. At the end of 1952 their number stood at 558. They are not fully co-operative bodies, though they exhibit certain co-operative elements. The reasons why co-operative housing movement as such has not made much headway in Britain are not far to seek. The pioneers of the co-operative movement were really as much interested in building co-operative houses as in building co-operative shops and factories. If the Owenite Co-operative self-governing communities and self-governing workshops had been successful, this branch of the co-operative movement would perhaps have made considerable strides owing to the sheer necessity of providing accommodation to the workers and their families. Once the Owneite ideals were abandoned, the wider aspects of the co-operative movement receded into the background in the controversies aroused between the advocates of consumer co-operation and producer co-operation. The predominent influence of the consumer societies in Great Britain was solely responsible even for questioning the validity of the other sectors of the co-operative movement. The Co-operative Survey Committee that reported in 1919 opined that retail societies were not the best form of organization for undertaking housing on a large scale and recommended that the co-operative Union should encourage the formation of Special Housing Societies. This Committee also favoured the establishment of co-partnership tenant societies. Their recommendations were briefly as under :—

(1) Housing and Town Planning should be undertaken by local authorities assisted by the State.

(2) The efforts of Local Authorities should be supplemented by the establishment of Special Co-operative Housing Societies.

(3) The provision of houses by retail distributive societies should be undertaken only in special circumstances and if other means are not available.

The official attitude of the co-operative movement has not gone beyond the Report of the Survey Committee, but a few retail societies proceeded to encourage the formation of co-operative housing societies and to provide the necessary capital. The model rules drawn up by the National Federation of Housing

Societies were adopted with slight modifications. The rules so adopted made provision for raising loan capital and shares, the election of managing committees or tenants' committees and disposal of profits. In spite of this it was noticed that a healthy relationship did not exist between tenant and non-tenant shareholders except in the case of a few small housing societies affiliated to the Co-operative Union. It is apparent, therefore, that the climate was not favourable for the progress of the co-operative housing movement, as it was too readily assumed that houses to let should be built by the Local Authorities. The private building enterprise could not be taken up by voluntary agencies as the risks implicit in housing shortage and rising costs were not regarded as worth taking, as it was apprehended that the rents realizable might be fixed by the State authorities, at such level as might be insufficient to meet building and operational costs. Though the Housing Rents and Repairs Act of 1954 removed this difficulty temporarily, there was nothing which could prevent such fixation at some future date. Though the co-operative housing movement as such has not been officially countenanced, the co-operative movement in Britain has not lagged behind, in providing loans for the purpose of building houses. Many of the retail societies made loans to their members for the purpose of construction of houses and the C. W. S. also provided funds for house mortgages.

Co-operative Permanent Building Society :

This Society was founded in 1884 and traces its origin to the meeting of the Guild of Co-operators which was convened in 1883. It was formed with the object of advancing loans for the building of business premises by the retail distributive societies, but this aim was later given up for undertaking the normal activities of a building society. It raised its finances by way of shares, deposits and loans and its capital was partly provided by co-operative societies. There is no standard code of terms or conditions under which advances are made. Loans are generally made to help the people to acquire their own houses against mortgage security. Advances are made for varying periods. People who have no intention of building or owning houses can also join the society, for the purpose of making investment with it. Its progress can be measured by the following statisticcs for the years 1954 and 1955.

Year	No. of members 1	Share Capital 2	Loan Capital 3	Reserves & Surplus Profit 4
		£	£	£
1954	314918	86410398	15044153	3819243
1955	357044	103732602	14729470	4004479

Year	Advances on mortgage (£) 5	Interest to Share–holders 6	No. of Employees 7	Salaries paid (£) 8
1954	24686106	1886614	857	383612
1955	29920420	2462081	910	434789

Other Special Societies :

Among the National Federations or other Special Societies may be mentioned the name of the Co-operative Press, Limited. Its share capital and loan account are provided by co-operatives. The Managing Committee is elected by member-societies and it is split up into two sections, one for Scotland and another for England and Wales. The Society had, at the end of 1955, a paid-up share capital of £ 2,70,649 and a loan capital of £ 2,61,697 and reserve and insurance funds aggregating £ 1,27,808. Its sales amounted to £ 7,84,889. The Co-operative Press runs a number of publications, but it is not taken very seriously by the movement. As a result, it has not yet reached a wide reading public nor has it been able to attract front rank journalists because of its meagure resources. " Co-operation speaks at present through its shop-windows." But what is necessary is that it should be in a position to speak ably and continuously through its own Press. Press is the fourth estate, it is said, and so far not much has been done to capture it by co-operatives in Britain, though the Directors and the staff of the Press are alive to the need of making it a powerful mouthpiece of the British Co-operative Movement.

The National Co-operative Chemists :

The Co-operative Independent Commission has made out a case for the creation of national specialist bodies for developing certain sections of co-operative trade in goods. The nucleus of a national chain is found in the National Co-operative Chemists

although it is not organised exactly on the lines the Independent Commission has recommended. The progress of this Co-operative enterprise is measured by the following statistics for the year ending 1955. It had a membership of 119.

Liabilities	£	Other Statistics (£)	
(1) Paid-up Share Capital	83826	Turnover of business	569109
(2) Loan Capital	161239		
(3) Overdraft	76	Interest on Share Capital	1028
(4) Reserve & Insurance Funds	2435		
(5) Sundry Liabilities	85092	Net surplus 1957	
(6) Disposable Balance	1083	No. of Employees	229
Total	333751		
		Salaries paid	£ 85453

Assets :	£
(1) Stock-in-trade	153337
(2) Property and Fixed Stock	97835
(3) Non-trade property	2531
(4) Investments	40632
(5) Debtors for goods	17946
(6) Cash in hand and at Bank	9217
(7) Sundry assets	12253
Total	333751

The following Statement gives total Co-operative Funds at the end of 1955

	£
(1) Retail Societies : Shares, Loans, Savings Deposits, Sundry Funds	337518000
(2) Reserve & Insurance funds of Retail Societies, Local Federations, Productive Societies, Special Societies, C. W. S., S. C. W. S., E. & S., Joint C. W. S., A. W. S., C. I. S.	215796000
(3) Non-Co-operative Balances C. W. S. Bank, S. C. W. S. Bank	85241000
(4) Capital of Co-partnership Societies (estimated) other than Retail Societies ...	780000
(5) S. C. W. S. Employees' Capital	35000
Grand total ...	639370000

The British Co-operative Union, Ltd., Manchester

Early beginnings :

The story of the co-operative movement in Britain would not be complete unless we refer to the most important body, viz., the British Co-operative Union in Manchester. As the co-operative store movement developed in Britain, it was felt necessary to establish closer contacts among societies for purposes other than trade. Since the earliest beginnings of the co-operative movement, societies have come together to discuss their common problems and aims. It was, however, very early realised that without a wholesale the progress of the existing retail societies would be checked and that it would be difficult to form new ones. The leaders of the co-operative movement, therefore, recognized the need of mutual help in addition to self-help which the movement practised. A wholesale society was, therefore, started later to protect the common interests of sellers and buyers This was not all. There were occasions for consultations on matters other than trade and a number of conferences had been held in the 1830's with a view to considering the establishment of a permanent organization for the purpose of promoting co-operative societies and for consultation and defence. These efforts did not bear fruit at the time but had succeeded in drawing together societies later, in order to consider the question of amendment of the Industrial and Provident Societies Act so as to facilitate the formation of a wholesale society. A Conference Association was established by societies in Lancashire and Yorkshire followed by similar associations in Scotland to support the agitation for the formation of a Scottish Wholesale Society. Before the first Co-operative Congress was held in 1869 the two wholesales had been formed demonstrating the value of concerted action by the societies. At the next Congress in 1870, a Central Board was formed consisting of representatives of a London and Provincial Board. An appeal for funds resulted in only 174 societies subscribing to £ 230. The Central Board was reorganized in 1873 to include five sections, although the development of the co-operative movement was uneven as between one section and another. The Congress of 1873 created a United Board representing sectional boards. This was a co-ordinating and an administrative body. These arrangements could not, however, satisfy the retail societies as they were in need of an organization which could secure

for them mutual touch and contacts among themselves. It was not until 1889 that the Central Board was reconstituted as the Co-operative Union, which was registered under the Industrial and Provident Societies Act as a co-operative society. Thus the birth of the Co-operative Union was in a great measure the result of the 'wholesale consciousness' of co-operative societies. Such an organization was quite necessary in order to give advice and guidance to societies and to impart instructions and education because some societies had failed for lack of knowledge and business methods or for want of proper methods of accounting or on account of inefficiency in buying and selling.

Membership:

The Union is started as a central organization of co-operative societies in the British Isles and as such it admits to its membership retail, wholesale, production and special societies, Industrial and provident societies, joint-stock companies and other bodies corporate which have for their objects the promotion of co-operative principles and ideas. No individual is admitted as a member. Every applicant for the membership of the Union is required to subscribe to it as a principle "the desire to promote the practice of truthfulness, justice and economy in production and exchange", by reconciling the confiicting interests of the capitalist, the worker and the purchaser through the equitable division among them of the surplus commonly known as 'profit', and by preventing the waste of labour now caused by unregulated competition. Besides, members of societies admitted to membership of the Union are enjoined to accept the decisions of the Central Executive confirmed by Congress and the managements of societies themselves must be of a representative character. At the end of 1952, 1117 societies of different types or 96.7 % of the total number of societies in Britain were affiliated to the Co-operative Union. The question of admission to membership of the Co-operative Union is not as simple as it seems to be on the surface. The societies as already mentioned are enjoined under the Rules to avoid competition among themselves but in actual practice it becomes difficult to avoid such competition despite delimitation of boundaries. Further, the question of admission of co-operative copartnership societies to membership of the Union is also a knotty one since a copartnership society is considered to be in competition with the co-operative wholesale society, as it produces goods

within the wide range manufactured by the wholesale society. Even the C. W. S. would find itself in a difficult position, as it would offend against the rules if it opened a department in competition with that of a local Federation. The Co-operative Union is mostly representative of retail societies which regard the co-operative movement in Britain as a consumers' movement pledged to the principle of consumer control in all fields of production and distribution. The C. W. S. is the creation of retail societies no doubt, but most of the retail societies buying goods from copartnership societies do not regard it as a violation of any co-operative principle, nor do they look upon it as a bad thing to have alternative sources of supply. If the co-operative copartnership societies are kept out of the membership of the British Co-operative Union, it would be a departure from the cherished tradition of the co-operative movement, as copartnership societies can also be called genuinely co-operative, judged from every fundamental co-operative test. If the Co-operative Union is to be real representative of all types of societies, it cannot exclude from its membership any one type in the interest of any one dominating type of society. But this should not, however, imply that any and every type of society could be admitted simply because it conforms to known co-operative practice and form, e.g. it would be quite legitimate to exclude a consumers' society formed of *ganja*-smokers or societies formed for manufacturing burglars' instruments or drugs harmful to human life.

Statistics relating to the Members of the Co-operative Union Ltd. :-

The following table gives the statistics relating to the trading societies in membership with the Co-operative Union Limited. The number of societies with the membership, share capital, and trade is shown for each type of society. For purposes of comparison the same items of information are shown for those trading societies which are not members of the Co-operative Union. The figures relate to societies included in the Co-operative Union Statistics, but there were other societies of varying types—non-trading societies–not in membership with the Co-operative Union.

At the end of 1955 the percentage of society members of the Union in Great Britain and Ireland was 96.62, the percentage of share capital was 99.06, and the percentage of trade was 99.46.

(b) *Objects* :—The Union provides advisory services and it is a centre of co-ordination for the entire co-operative movement.

Society Members and Non-members of the Co-operative Union Limited with their relative Membership, Share Capital and Trade at the end of 1955.

Type of Society	Members of the Co-operative Union			
	Number of Societies	Membership of Societies	Amount of Share Capital	Amount of Sales
			£	£
Distributive Societies	944	11,669,195	239,229,034	832,275,857
Local Federations	85	1,370	5,541,298	24,814,391
Productive Societies	42	13,375	851,664	6,465,403
Special Societies	8	8,279	338,903	3,588,944
Wholesale Societies	4	1,574	34,992,434	531,499,269
Co-operative Insurance Society	1	2	52,500	*38,108,369
National Co-operative Chemists	1	117	83,826	569,108
Co-operative Press	1	810	270,749	784,889

*Premiums

Type of Society	Non-Members of the Co-operative Union			
	Number of Societies	Membership of Societies	Amount of Share Capital	Amount of Sales
			£	£
Distributive Societies	20	114,072	1,107,410	10,136,173
Local Federations	6	27	73,900	138,828
Productive Societies	4	575	9,979	106,245
Special Societies	8	10,930	333,125	3,263,163

It marshals societies for the solutions of national problems and the formation of internal and external national policy. It does not engale in trade except the sale of publications, nor does it provide an auditing service, as is provided by similar institutions elsewhere. In so far as its objects are concerned, the Union is permitted to " carry on the trade and business of accountants, booksellers, commercial and general advisers, publishers and arbiters in matters of dispute arising between societies, which cannot be settled locally, and of propagating co-operative principles and ideas and the organising of co-operative work in all branches, whether such work be in connection with industry, trade or business or for the promotion of education and other objects, and purposes of a similar character with a view to the establishment of a Co-operative Commonwealth.

(c) *Finance*:–The Co-operative Union is financed by its member-societies which are required to hold a nominal 5 Shilling share and if they are retail societies, they must subscribe in addition on the basis 3¼ pence of per individual member, while other types of societies have to contribute according to suitable scales prescribed by the Central Executive, The subscriptions of the retail societies are, however, the main sources of income of the Union which is in the neighbourhood of £ 1,50,000 a year, and the subscriptions are paid into a Central Fund of the Union.

(d) *The Constitution of the Union*:—The final authority of the Union vests in the members' annual meeting which is known as the 'Co-operative Congress' to which all member-societies are invited to send representatives or delegates from 1 to 12 in proportion to their membership. Retail societies are represented on the foliowing scale:-

Membership		Delegates
Up to 3000	...	1
3001 - 10000	...	2
10001 - 20000	...	3
20001 - 30000	...	4
30001 - 50000	...	5
50001 - 100000	...	6
100001 - 150000	...	7
150001 - 200000	...	8
200001 - 300000	...	9
300001 - 500000	...	10
Over 500000	...	12

When the representation of a society is big enough, it is usually divided between the society's management, education committee and members' meeting. The maximum number of representatives the biggest societies enjoy having a membership of over 500,000 is 12. Members of the Central Executive, Sectional Boards, and some other Committees also attend but they cannot vote unless they represent a society. Voting at Congress is by show of hands, or if desired, by a card vote, retail societies having one vote for each 1000 members. The Congress is an unwieldy body, as altogether about 2250 persons are entitled to attend it, in one capacity or the other according to the basis of representation indicated above. It is, therefore, suggested that the number of delegates attending Congress should be reduced. At present the 75 largest retail societies representing 75,000 members or 67% of the movement's membership send 170 delegates, which is equivalent only to 8.5% of the total number entitled to attend. Thus the remaining 33% of the movement's membership claim 1918 representatives, which is equal to 91.5% of the total delegation. If it is decided to restrict the maximum number of delegates to 4, the total number of representatives would be reduced to only 141 delegates. The question of reduction of the number of delegates is not an easy one, as there would be legitimate objections to such a course being adopted. A Congress of many independently controlled societies is bound to by a huge body, if it is to reflect all shades of opinion within the movement. The main business of the Congress is to receive the annual report of the Central Executive and of its Committees and motions submitted by member-societies, to receive and pass the accounts, to elect an auditor, to consider audit reports, and vote on any proposed changes in the constitution of the Union. These are the constitutional duties which the Union has to perform in relation to its affairs. Because it is a most representative gathering in the co-operative movement, the Congress has acquired an importance far greater than that which attaches merely to an annual business meeting of the Union. For the administrative work of the Co-operative Union the country is divided into nine sections as under:—

(1) Midland, (2) Northern, (3) North-Eastern, (4) North-Western, (5) Southern, (6) South-Western, (7) Western, (8) Scottish, (9) Irish.

Thus there are eight Sectional Boards and the Irish Executive.

For the purpose of nominating candidates at sectional board elections, each section is divided into electoral zones or areas. Within the sections there are 4 to 11 districts in each section. All societies in the section are entitled to vote for as many candidates as there are persons to be elected, at the rate of so many for each electoral district. This procedure has the advantages of ensuring a proper distribution of the Sectional Board membership over the entire territory of each Board. Within the sections, district councils consisting of representatives of groups of neighbouring societies are formed with a view to discuss purely problems of local development. The Sectional Boards may refer to the District Councils matters on which local advice is needed. District Councils also hold conferences, elect an Executive and transact their business at their own cost. They receive a grant to meet their expenses from the Union funds. In a few of the District Councils a paid full-time Secretary is appointed. Sectional Boards receive reports on the progress of societies in the section, intervene in disputes between the societies and call attention of the Central Executive to subjects of common interest on which national direction is called for. They also meet frequently in order to appoint representatives to National Committees and generally tender advice to societies within the section in regard to trading problems. They receive grants from the Central Executive which controls their finances and each sectional board is served by a full-time Secretary. Members of all sectional boards annually meet at the Congress to give an account of their working and place their own problems before it. They also hear a report of the Central Executive and discuss matters arising therefrom. Until 1952 the Union was managed by a Central Board which was an aggregate assembly of the members of the sectional boards with representatives of the Irish Executive. The functions of the Central Board were transferred to the Central Executive in 1952.

(e) Constituition of the Central Executive and its Method of doing Business :

The Central Executive consists of 27 members who represent the sectionel boards, the Irish Executive, the two wholesale societies, the Co-operative Productive Federation, the Co-operative Press and the Co-operative Party. The number of representatives are distributed as under :—

4	are nominated by the C. W. S.
16	are nominated by the Sectional Boards at the rate of 2 for each sectional board.
2	are nominated by the S. C. W. S.
2	are nominated by the Co-operative Party.
1	is nominated by the Irish Executive.
1	is nominated by the C. P. F.
1	is nominated by the Co-operative Press.
27	

The Central Executive has two main sub-committees, viz., the General Purposes Committee and the Parliamentary Committee. The G. P. Committee is concerned with the internal management of the Union, while the other deals with the legislative and administrative orders affecting co-operative trade and makes representation to the Government Departments on behalf of the Union. The Government Departments and the Ministers often hold consultations with it on many important problems and the Committee places evidence before Royal Commissions and Government Committees on behalf of the Uhion. The Parliamentary Committee has a full-time Secretary, who is assisted by other staff. The Central Executive appoints representatives to sit on the Trade Association of the movement, on the National Committee of the Co-operative Party and on the National Council of Labour. A National Policy Committee is also formed by the Central Executive to advise it on issues of public policy. The main activities of the Union are administered on a departmental basis. For this purpose a large staff is maintained not only at Manchester, which is the headquarters of the Union, but also at other principal centres. The main departments run are : (1) Agricultural, (2) Legal, (3) Financial, (4) Research and Statistics, (5) Labour, (6) Publications, (7) Parliamentary, (8) Educational and (9) Political.

The Union has appointed an Agricultural Adviser whose services are available to societies contemplating running farms or actually running them. His expert advice is also at the disposal of the Meat and Milk Trade Associations. Societies intending to amend their rules or finding difficulties in the interpretation of existing rules are given assistance by the Legal Department. A set of model rules has bean drafted for the use of constituent

societies which are not bound to adopt them. The Legal Department and the Consultant Solicitors help the Union in correctly interpreting laws and orders which have a bearing on co-operative trade. The taxation officers appointed by the Union and the cashier often render advice to societies on financial and income-tax problems, while matters relating to labour are dealt with by a separate adviser, who is not only helpful to individual societies but also to the movement in general in matters relating to national wage negotiations. It is the business of the Research and Statistical Department to analyse a mass of statistical material for the benefit of the Union Committee. It also examines statistical data on behalf of societies. Finally, the Publications Department of the Union prepares and sells books, journals, pamphlets and other publicity material of different kinds. The Central Executive is empowered under the rules " to determine co-operative policy on current national issues affecting the movement arising between Congress ". Thus there is a concentration of power in the Central Executive with the abolition of the Central Board which ensured some sort of check over the powers of the Central Executive, a Management Committee of the Union. In 1954 the Congress set up a Committee of Enquiry to investigate the present machinery of the Union and the Committee rejected the proposal to revive the Central Board but empowered the Central Executive to summon extraordinary meetings of the Sectional Boards. A question that is often posed is whether the resolutions of the Congress should not be binding on all constituent societies. As the rules stand at present, member-societies are obliged " to accept the decisions of the Central Executive confirmed by Congress". It is quite possible that Congress may take decisions upon questions that have not come before the Central Executive at all. But it is open to the Central Executive and the Congress to declare a specific matter to be one of major policy and seek a referendum on it of affiliated societies, in the form of a proposition or a resolution, and if 75% of the votes are cast in favour of the resolution or proposition, it will be regarded as a resolution of the Congress and the member-societies are bound to give effect to such a resolution. So far no action of this sort has been taken. If societies persistently refuse to comply with the obligations implicit in membership on any important matter, they are liable to foreit their membership. Nothing further can

be contemplated as the Union is only an association of autonomous bodies and as such it has to rely more on moral authority than upon application of sanctions. The Co-operative Union offers to its affiliated societies services which are highly prized in return for a small subscription which societies have to pay to its funds.

The British Co-operative Union and the Co-operative Independent Commission :

What will be the functions of the Union if the various suggestions made by the Commission are implemented? The Commission replies to this question by saying that the Central Executive will have the immediate task of preparing and presenting to Congress a plan for the establishment of the retail development Society which will take over the trade associations. But in addition to its political and educational functions, the Union will, in the opinion of the Commission, continue to control a number of departments such as legal, labour, employment, advisory service, finance, research and statistical ; one of these departments is altogether new and others should be considerably enlarged beyond their present size. The Commission further asks : Is this too untidy a solution? In other words is it desirable that there should be too many national bodies at the top—the Union, the retail development society and the two wholesale societies? The Commission states that it has considered the possibility of creating a new single body out of the Union, central executive and the proposed new supervisory councils as the existence of separate organisations has encouraged the feeling of division and sense of opposition between retail and wholesale organisations. Besides the present organisational structure has the further disadvantage according to the Commission that it creates uncertainty as to where retail societies should look for guidance and assistance. At present they look to the wholesale societies for some forms of aid (for loans and bank accommodation, architects and building departments) and to the Union for others (services provided by the trade associations or research and statistical department). The Commission feels, therefore, that if there were a single national body or a federation at the top combining within itself the functions and the democratic representation of the retail, wholesale and production wings there might be a stronger sense of common purpose and more harmouims co-operation. Again

it is more logical to have one central body to whom societies could turn for whatever form of assistance they needed. If this view were accepted the central executive of the union and the supervisory councils of the two wholesales would fuse, according to the Commission, to form a single elected body which would constitute the national leadership of the movement. It would discharge its united power at the top and be responsible to an elected parliament of member-societies. The Secretariat of the Union would become a central division of the new body, in the opinion of the Commission, responsible for education, political matters, relations within State, propaganda for the co-operative ideal and all the trading functions would be carried out by a series of parallel professional executives—finance, production, wholesaling and retailing. The Commission is no doubt aware that this would constitute a strictly logical co-operative structure but it is deterred from recommending the fusion of the wholesales and the union on account of legal, political, and constitutional difficulties in the way of its attainment, and again, it would be difficult to lightly dismiss the positive arguments in favour of the Union. Some members of the Commission felt, for example, that the retail societies need a body which would act essentially as the guardian of retail interests ; there is also, according to the Commission, a strong natural feeling that the political and ideolegical aspects of the movement should be kept largely distinct from the trading and business aspects. The Commission further proceeds to add that even assuming that fusion is a desirable long-term objective as a part of an ideal co-operative structure it is not an urgent short-term necessity nor its absence a major cause of the movement's trading weaknesses which the Commission was asked to consider. Moreover fusion would, in the opinion of the Commission, be an intricate and controversial subject calculated to divert the attention of even the ablest of the co-operators from the immediate or urgent recommendations made by it to the long-term objective. If the retail societies were, however, to starve the Union of funds and through it the retail development Society then only it is possible to recommend the transfer of economic and technical responsibilities of the Union to the wholeslae societies as otherwise these functions would go by default and the wholesale societies should accept the responsibility and establish their own executives, however, vocal the opposition may be. That is the only

circumstance which might cause the Commission to recommend the amalgamation or transfer as indicated above. But if the retail societies play their part the Commission does not recommend the amalgamation of the wholesale societies and the co-operative union. The Commission believes that the movement should first carry through the trading and structural recommendations made by it and when this is done, the question of fusion may be examined some time later. The final recommendation of the Commission is that the movement should formally re-examine not only constitutional issues such as this but also its basic trading policies at least once every decade.

The International Co-operative Alliance :

Reference has already been made to the activities of this organization in Volume I (vide pages 419 to 425.) and suffice it to say here that its aims are to propagate co-operative principles and methods throughout the world and to promote friendly economic relations between co-operative organizations of all types both in national and international spheres. Trading relations between the British Wholesales and Overseas Co-operative Marketing Organizations will have in future to be built up simultaneously after organizing arrangements for retailing of those products in the British Isles. There are certainly obstacles to be overcome before such contacts could be established between the co-operative movements of different countries. For example, import restrictions and controls by Governments operate against the establishment of International Joint Agencies for the purpose of trading and production. Bulk purchases of foreign products by Governments and restrictions on Foreign exchange are certainly the obstacles to be overcome before large-scale trading could take place between co-operatives of one country and their counterparts in others. It is difficult, therefore, to bring about the creation of jointly owned and operated wholesales and manufacturing co-operatives in the international sphere until the economic policies of Governments are considerably liberalized, and thus undergo a radical change. Factories engaged in supplying the goods for International Co-operative Market would certainly be at the mercy of changing policies of the Governments of the countries concerned. Thus the main question posed is how to develop international trade on Rochdale principles. One need not entertain entirely a pessimistic view of the matter because of lack of scope

for joint enterprises. The alliance of the Swedish and British co-operative movements for breaking the international private monopoly in the production of electric lamps points to the contrary. Similarly, a joint wholesale society between the Scandinavian countries is also an encouraging example of the possibilities of joint purchase of foods required by the participating countries. As regards exchange of information and advice in the International sphere there are fewer difficulties. Owenism, for example was not merely for British consumption but it was a laudable attempt to infuse a new moral tone in the relationship of mankind. The Rochdale principles originating from British sources spread to the Continent of Europe and U. S. A. and consumer co-operatives were formed on those principles. The British Co-operative Congress held in 1869 counted among its delegates representatives of French, German, Swedish and Danish Co-operation. In 1884 a foreign Enquiry Committee was established to collect information about Overseas Co-operation. When the British Congress was held at Rochdale in 1892 an International Alliance of Co-operative Production was formed. The British Co-operative Union at first remained aloof owing to insistence on profit-sharing as a condition of membership. This condition was, however, relaxed and removed in 1885 at the first International Co-operative Congress held in London. From this Congress, as already stated elsewhere, emerged the International Co-operative Alliance. Its membership was at first a mixed one, consisting of both individuals and organizations. Recruitment of individual members was stopped in 1892 when an amendment to its Constitution was adopted. Thus the original inspiration for Congress came from those who were interested in producer co-operation, but its membership became predominently representative of consumer organizations later. During the World War I, contacts had been maintained by holding meetings of representatives of allied countries or by using the good offices of neutrals. Under the rules adopted by the Alliance in 1954 associations of persons or co-operative organizations which observe the aims of the I. C. A. and the policy laid down by its Congress are eligible for its membership. Any association of persons, irrespective of its legal constitution, is recognized as a co-operative society provided that it has for its object the economic and social betterment of its membership by means of the exploitation of an enterprise based

upon mutual aid and that it conforms to the principles of Rochdale Pioneers particularly as regards :—

(1) Voluntary Membership.

(2) Democratic control assured by the election of the administrative organs of the association, by the members freely and on the basis of equality.

(3) The distribution of the surplus to the members in proportion to their participation in the social transactions or in the social services of the association.

(4) Limited interest on capital.

Subject to the above conditions, the types of association eligible for membership are the following :—

(a) National Unions of Co-operative Societies.
(b) National Federations of Co-operative Unions.
(c) Regional Unions of Co-operative Societies.
(d) Recognized auxiliary organizations of affiliated National Unions or Federations (such as Women's and Men's Guilds).
(e) Consumers' Co-operative Societies–retail or wholesale.
(f) Co-operative Societies of industrial producers or artisanal co-operatives.
(g) Agricultural or Fishery Co-operative Societies.
(h) Co-operative Credit Societies, Co-operative Banks, Co-operative Assurance Societies.
(i) Housing and Building Societies.
(j) Other Associations of persons or organizations whose juridical status may be different from these co-operative associations.

The alliance consisted at the end of 1954 of 68 organizations in 35 countries and its total affiliated membership through national organizations stood at 11,70,00,000. The alliance is of course a non-political body and from its very inception it is intended to be an organization of voluntary co-operative bodies. Two problems face the alliance at present. Co-operative organizations in the undeveloped countries are State-sponsored organizations and they are also in receipt of State assistance. Such organizations are admitted as Associate members in virtue of Article 14 of the Alliance, which reads as under:—

I. Co-operative organizations of any of the types mentioned in Article 8, which through their aims and activity promote the

development of co-operation in conformity with the objects of the Alliance, but which, by reason of the fact that in their early stages of development they are receiving outside support, have not yet complete control of their affairs, shall be eligible for Associate Membership as a transitional stage towards full membership.

II. Organizations desirous of becoming Associates shall apply to the Executive on the form to be supplied by the General Secretary, sending with their applications two copies of their Rules (or a translation thereof in one of the official languages of the I. C. A.), last Annual Report and Balance Sheet.

III. Associates, subject to the full and up-to-date fulfilment of their financial obligations shall have the right :

(a) To receive gratis the regular publications of the I. C. A.

(b) To nominate an observer to meetings of the Central Committee without the right to speak or to vote.

(c) To nominate an observer to the Congress without the right to vote but with the right to speak subject to the consent of the Congress.

(d) To receive from the Secretariat of the I. C. A. all appropriate services, advice etc.

These Associate members merely occupy the position of observers. A second problem which the Alliance has to face is whether Government-directed Co-operative Movement in Communist countries can be admitted to its membership. The Soviet Co-operatives are not free agents and there is no difference in Soviet Russia between a co-operative shop and a State shop. Though this is so, it is argued in communist countries that the co-operative movements there are even freer than those in capitalistic countries. But it may be noted that there is one great difference in the position of co-operative movements in the Communist and Capitalist countries. In the Communist countries the co-operative movements are simply the mouthpieces of their Governments while those in the Capitalist countries like Britain or France are not only not bound to represent the views of their Governments but may even oppose them, should occasions arise. Thus the Alliance has refused admission to new applicants for membership in these countries, as they are not free in the sense in which the Rochdale principles are understood. Under Article 17 of the Rules of the Alliance, the funds are mainly derived from members' subscriptions levied on a sliding scale. Articles 17

and 18 refer to the subscriptions and the rate of subscriptions levied, and the rates also vary according to the status of the organization, and also on the basis of individual and collective membership. Articles 17 and 18 read as follows :—

Article 17. Subscriptions :

Every Organization affiliated to the I. C. A. shall pay an annual subscription in proportion to its development and economic importance and according to the scales laid down in Article 18.

Subscriptions shall be due on the 1st January in each year, and shall reach the office of the I. C. A. during the first three months of the year.

The amount of subscription due from any Organization whose remittance has not reached the I. C. A. by the 31st March in any year shall be fixed by the General Secretary according to Article 18 (in the case of a Collective subscription on the basis of the latest membership figures of the respective Organization known to the I. C. A.) and shall be notified to the Organisation concerned with a demand for payment within three months.

Article 18. Rate of Subscriptions :

I. The subscription to be paid by each affiliated Organization shall be calculated in accordance with the scales applicable to the different categories of membership laid down by the Central Committee; the basis and rates of such scales shall be changed as circumstances shall necessitate in order to assure an adequate income to the I. C. A.

Until the Central Committee shall decide otherwise, subscriptions shall be calculated as follows :—

Individual Membership :

II. The subscription for each National Organization admitted under Sub-sections (a) and (b), Regional Organizations admitted under sub-section (c), and National Auxiliary Organizations admitted under sub-section (d) of Article 8 shall be £ 96.

The subscription for each Society admitted under sub-sections (e), (f), (g), (h), (i) and (j) of Article 8 shall be in accordance with the following scale :—

£.	2. 8.0	if the membership does not exceed			1000		
,,	4.16.0	,,	,,	is between	1001	and	3000
,,	7. 4.0	,,	,,	,,	3001	,,	5000
,,	12. 0.0	,,	,,	,,	5001	,,	10000
,,	24. 0.0	,,	,,	,,	10001	,,	25000

,, 36. 0.0	if the membership is between	25001	,, 50000
,, 48. 0.0	,, ,, ,,	50001	,, 100000
,, 96. 0.0	,, ,, ,,	100001	,, 200000
,, 120. 0.0	,, ,, is more than	200000	

Collective Membership

III. Collective membership or the admission of a National Union or Federation with all its constituent members on a basis that accords the privileges of membership to each of the latter shall be acquired by a minimum subscription of £ 96 in respect of the Union or Federation concerned; a further £ 48 in respect of each National Organization included in its membership, and a contribution for each Society included in its membership in accordance with the following scale :—

£. s. d.			
3.6	if the average number of members does not exceed 300		
9.0	,, ,, is between	301	and 600
18.0	,, ,, ,, ,,	601	,, 1000
1. 5.0	,, ,, ,, ,,	1001	,, 2000
1.16.0	,, ,, ,, ,,	2001	,, 3000
2. 8.0	,, ,, ,, ,,	3001	,, 5000
3. 0.0	,, ,, ,, ,,	5001	,, 10000
3.12.0	,, ,, ,, ,,	10001	,, 15000
4.16.0	,, ,, ,, exceeds	15000	

IV. No National Organization shall be obliged to pay more than £ 6,000 per annum.

V. The subscription for each Associate admitted under Article 14 shall be fixed by the Executive.

The Alliance is recognized as a Category 'A' Member of the United Nations for the purpose of participating in the work of the Economic and Social Council. Its work was interrupted by the two major World Wars, but its machinery was not destroyed. It was kept alive by the British Co-operative Movement from 1939 to 1945. The Alliance issues two useful journals: "The Review of International Co-operation" and "Cartel", which is devoted to industrial combinations. Recently, a Committee has been set up to promote co-operative undertakings in the un-developed and underdeveloped Countries and funds have also been raised in the member-countries to support this work. No doubt the Alliance has been helped forward considerably by the British Co-operative Movement, but the British Movement itself has to

learn something from the enterprising spirit and experimentation in the Scandinavian countries, particularly Finland and Sweden.

(5) The Horace Plunket Foundation :

The Horace Plunket Foundation was endowed as a Trust in the year 1919. The object has been always to provide greater facilities for a systematic study of the principles and methods of agricultural and industrial co-operation. As a result of the Wembley Conference in 1924, the Foundation was invited to become an " Empire Clearing House of Co-operative Information." It has opened its offices in London and has established a co-operative reference library. Since the year 1927, it has been publishing the Year Book of ' Agricultural Co-operation ' which deals with the agricultural co-operation throughout the world.

(*m*) Social, Educational and Political Activities of the Co-operative Movement in England.

I. Co-operators in Politics :

Following the principle of political neutrality preached by the Rochdale Pioneers, the Co-operative Movement of Britain had for many years maintained an official attitude of strict neutrality in politics. The course of events, however, in 1880 compelled it to create a Joint Parliamentary Committee to deal with national legislation and local administration in so far as they affected the co-operative movement. Parliamentary action by friends of the co-operative movement in all parties was forthcoming when new legislation was needed to safeguard the interests of co-operative societies. In this way protection of co-operative funds, recognition of the principle of limited liability for co-operative societies and the right to interlend among societies had been secured. During the First World War, the operation of the Military Service Acts, the behavour of local Military Tribunals deprived the co-operative movement of the services of key co-operative employees such as Managers and other essential workers, while the private shops had been accorded much better treatment. Again, while administering the rationing of foodstuffs, the pre-war turnover of business in foodstuffs was taken as the basis for allocating quantities which prevented many societies from supplying their growing members with their legitimate share of consumer goods. The application of the Excess Profits Tax unjustly penalised co-operatives by taking away all the surplus in the form of taxes in excess of the amount they had realized in the previous years.

Though the number of purchasers sharing the surplus had increased, resulting in a low rate of dividend on purchases, any increase in the total surplus was taken away by taxation. Added to these grievances, the Government of the day went even to the length of refusing to discuss these with the leaders of the co-operative movement even after the decision had been taken to enter politics. This was tantamount to adding insult to injury. With the growth of co-operative trade and its extension into new fields affected by legislation, the need for some form of political expression had to be recognized and the Congress passed resolutions that something in the matter should be done and some action taken. Later in the year 1917 a Special Emergency Conference was held and it was decided to seek Parliamentary and Local Government representation for the co-operative movement. A national Representation Committee was soon formed with the following objects :—

(1) To secure the direct representation of co-operatives in Parliament and on local Government bodies for the purpose of safeguarding the interests of voluntary co-operation and resisting any legislation or administrative action hampering or limiting its progress.

(2) To secure the formation of a Government based on democratic principles.

(3) To secure the establishment of "Co-operative Commonwealth" wherein the incentive to industry should be production for use and not for profit and in which the economic basis of societies should be the common ownership of the essential means of life. In 1919 the political activities of the co-operative movement received a further stimulus and in the next year the National Representation Committee adopted the title of 'Co-operative Party' with a more fully representative National Committee which is a distinct political party with a separate fund derived from fees from the affiliated societies to the Co-operative Union. More than 50% of the societies comprising about 80% of the affiliates of the Co-operative Union subscribe to the Central Political Fund and many of the societies also make grants to local society parties which are organized into Constituency Parties for the purpose of contesting elections. The Co-operative Party works as a Department of the Co-operative Union to which it is responsible, and the main resolutions of the Co-operative Party Conferences

are placed before the Co-operative Congress for approval. The Co-operative Party is also linked to the Labour Party by agreement and by political circumstances and as well as by sympathy. Co-operative Constituency Parties affiliate themselves to local Labour Parties and support Labour Party candidates. Under the Agreement a Joint Committee of the two organizations is formed for the purpose of mutual consultation on policy and for dealing with organization and electoral arrangement. Candidates of the Co-operative Party are designated as Co-operative and Labour and the same designation is given by mutual consent to local Government candidates as well. The constituency units of the Co-operative Party are eligible for affiliation to the appropriate Labour Party units and affiliation can also be arranged between a group of co-operative parties and the regional committees of the Labour Party. At the end of 1953, out of 10001 retail distributive societies, 613 societies or 61.2 per cent of societies having a membership of 95,08,799 persons were affiliated to the Co-operative Party. The Co-operative Parliamentary Committee, after its constitution, set out to create local political organization and promote Parliamentary and Local Government candidates. A Parliamentary by-election was fought out in 1918. The Parliamentary representation of the Co-operative Party varied from one general election to another. In the Parliament of 1945-50, there were 23 Co-operative M. Ps and they were also a number of peers who were members of the Co-operative Parliamentary Group. In the general elections of 1951, 38 candidates were put up on behalf of the Co-operative Party and only 17 got success. These members of Parliament act in the House of Commons as Members of the Labour Party. The National Constitution of the Co-operative Party has remained unchanged since its inception and each section of the Co-operative Union has three representatives on the National Committee—one from the Sectional Boards, one from the subscribing societies and one from the local co-operative parties. Representation is also given to the two Wholesales, the Central Executive of the Co-operative Union, the Co-operative Productive Federation, the Co-operative Press, the three National Guild Committees and the Parliamentary Group, thus making in all a total of 37 members. This Body elects an Executive Committee of nine members including the Chairman. Societies that are affiliated to the Co-operative Party are required to pay an

annual subscription of $\frac{1}{2}$ d. for an individual society member. It has already been mentioned that the Co-operative Party is the Department of the Co-operative Union and hence the Co-operative Party policy, though it may be initiated by the National Committee, has to be endorsed by the Central Executive of the Union and the Congress. The Co-operative Party holds annually a National Conference, which is attended by representatives of affiliated bodies and parties. The alliance of the Co-operative Party with the Labour Party was a few years ago a matter of hot discussion and this alliance was objected to in some quarters on the ground that the independent voice of the Co-operative movement would be stifled and the movement would have to accept automatically the policy pronouncements of the Labour Party. These apprehensions have fortunately been falsified by the fact that the Labour Party has never denied the primary responsibility of the Co-operative Party to the Co-operative Movement. The Co-operative Party acts as the political mind and voice of co-operation in politics, although it accepts its full responsibilities as the political ally of the Labour Party. If the Co-operative Party is to play its proper role in the political and public life of Britain, it goes without saying that it must receive not only financial support to an adequate extent from the retail societies but also the support of the leaders of the Co-operative Movement, national and local. The policy of the Co-operative Party has hitherto been to defend the rights of the co-operative movement where they are in danger of being violated and to extend the scope of the application of the co-operative principles both at home and abroad, particularly in the British Commonwealth of Nations. On the home front, the Co-operative Party has been supporting social and economic policies of the Labour Party and has defined its own attitude in regard to many of the national and domestic issues in a series of reports submitted to the Annual Conferences. The Co-operative Party has also, in addition, dealt with burning questions like the distribution of land, industrial development, rent control etc. The Co-operative Party, it may be noted, is an organization of the British Consumers' Movement brought into being to uphold the claims of the Movement and to function in a democratic society, regardless of the political complexion of the Government that may be in power for the time being.

The Auxiliaries.

(i) Women's Guild.

In the days of the Rochdale Pioneers, woman was given equal status with man. Women could join societes, attend members' meetings and could be nominated for the various Committees of the Co-operative Movement, but the Movement was mainly run by the men. It may be noted that the consumers' movement in Britain relies more upon the loyalty of the woman, who mostly manages the family income of the working-class man. It was she who did shopping and the various organizations of women began to be formed in the co-operative movement. In 1883 the Women's League for the spread of co-operation was formed with about 50 members and an annual subscription of 6 d. per member. The objectives of the League were to propagate the principles of co-operation amongst women. and to keep them alive and to bring about an improvement in the social and economic condition of women all over the country. This was the beginning of the Women's Co-operative Guild. The Guild is a voluntary association of members of co-operative societies (mainly retail distributive co-operative societies) for self-education and discussion. It is mainly a propagandist body providing voluntary workers for the movement. The English Women's Guild owed much in its infancy to the influence of middle-class women. It encouraged women to become members of local co-operative societies, to take part in their management and to build its own membership through branches, and linking the latter with Area Committees. Thus it paved the way for increasing the number of women having experience in organization, propaganda and administration. The Women Guilders were thus fortified by experience and they freely criticised the politics which were a departure from the true co-operative principles. The Women's Guilds have played a useful role in the course of their history in carrying on agitation for introduction of minimum wages for shop-workers and for campaigning for lower prices in the shops, increased loyalty to co-operative products and for the development of co-operation amongst the lower class of workers. They have also in the past taken part in other progressive movements like the Suffragette Movement and in the Movement for Divorce Law reform. They have also formed their own independent Congress distinct from the proceedings of the Co-operative Union Congress. The Women's Co-operative Guild is

not the only body representing working women, as there are other organizations of women such as the Trade Union Guilds, Women's Institutes, Town-women's Guilds etc. besides religious, social and political organisations. The Women's Co-operative Guild is an organization consisting of middle-aged women, as most of the members join after their marriage and it is only when the mother can be spared from the home that she joins a branch of the Guild. The proportion of women represented on the various committees of the co-operative movement, local or national is still very small, because a sufficient number of women do not stand as candidates. Again, women prefer to vote for men and do not vote at election in the same proportion as men. But it may be noted that women-members form 45% of the Local Education Committees. Thus the educational activities of the Co-operative Union are supplemented by the work of the Co-operative Guilds—both men and women. In order to be eligible for membership of the Guild, a woman must be a member of a co-operative society in her own right or through her family and must pay an annual subscription as prescribed. The basic unit of the Guild is the local branch which consists of at least 10 members. The branches of the Guild are grouped in districts each of which is in charge of a committee elected by the branches. The branches meet once a week to study and discuss various matters such as presentation of petitions, leading deputations, election of women to various bodies etc. These Guilds have exercised considerable influence in the development and promotion of housing, health, education and co-operation. In 1953 there 1750 branches of the Guild and about 65000 members. The success that attended the women co-operators in organizing themselves either without official assistance or financial support, influenced the formation of the Irish Women's Guild in 1906 This was followed by the men who formed the National Co-operative Men's Guild in 1911, with the declared object of arousing, maintaining and increasing interest on the part of men co-operators in all branches of the co-operative movement and of spreading knowledge of co-operative principles amongst them. In 1953 the membership of the Guild was about 6000 and there were about 200 branches. The members of each branch usually meet once a week to discuss a variety of topics on co-operation. The Guild issues a Journal called '*The Guildman*'. It has trained many co-operators with a view to enabling them to hold important

positions both in the co-operative and working-class movements. Although the Men's Guild has been doing useful work, it has never caught on like the women's guild as there are other organizations open to men such as Trade Unions, political parties and working men's clubs. Another reason is that it is not necessary for men to pass through a co-operative organization in order to reach the Committee of Management as it is in the case of women. There are other reasons as well which explain why the Men's Guild is lacking in influence and strength. Once the local leaders of the co-operative movement serve on Committees of Retail Societies and interest themselves in other Organizations, they find very little time to attend Guild meetings regularly. Again, the growth of the co-operative party also has drawn the more ambitious spirits among men to the political field and this has naturally curtailed the area of recruitment for guild. In 1926, the idea of segregation of sexes as implied in the establishment of separate Guilds for men and women was disliked by a section of co-operators who formed the National Guild of Co-operators. This Body has made rapid strides in the North of England only, but it has faced the same difficulties as are experienced by the Men's Guild in recruiting male membership, the proportion of which is negligible. That is why there is an agitation for the amalgamation of both the Men's Guild and the National Guild of Co-operators. The Guilds are, it may be noted, active socially, culturally, educationally and politically and have a formative influence on most of the co-operators who are enabled to become active in the management of societies in co-operative education or in public life.

Co-operative Education

(1) Importance and Significance of Education in Co-operation:-

One of the vital factors having a direct bearing on the development of the co-operative movement in any country is co-operative education-education of the members who constitute the foundation of the co-operative movement. Co-operation is essentially a people's movement and depends for its success ultimately on the quality of the people who constitute its membership. The movement cannot be expected to make progress if the members do not know what co-operation implies and are innocent of the ideals it stands for. On the occasion of the Oxford Congress, 1882, Mr. Arnold Toynbee, in his address said that the work of co-operative

education was the education of the citizen. Prof. Stuart stated the case for co-operative education in 1879 in the following words:-

" If the mass of your members are not sufficiently instructed in economic science, in the facts of commerce, in the state of this or other countries, in the history of trade, in general knowledge and in particular knowledge of what you aim at and how you seek it. I say if the mass of your members are not sufficiently instructed in these things, there arises a real danger to the co-operative movement; your members become a hindrance and your possessions become a peril and your productive endeavours will continiue to be the failure which they too often have hitherto been; your movement is a democratic movement, if ever there was one. It therefore, cannot repose on the sense of a few. Its success will depend on the good sense of the masses of your people. First, you must educate your members in your own principles and in those of economic science and in the history of endeavours like your own and, in the second place, you must educate them generally. Education is desirable for all mankind. It is the life's necessity for co-operators. "

The Rochdale Pioneers had opened a library and a reading room above the trading premises at Toad Lane even before they made grants from their Society, which shows that they had been enthusiasts for education because they had clearly perceived that if democratic institutions were to be equal to the difficult task imposed upon them during changing conditions of life, educational opportunities must be widened all round so that economic democracy which they were helping to build was laid on surer foundations and was trained to govern. It was not merely sufficient to teach people merely how to read and write, but it was also essential to acquaint them with the principles on which the existing society was founded and how it was imperative to build a new society based on social justice. Competition under a capitalistic system of society was a cardinal principle under which men were at war with their fellow-beings and advocated the survival of the fittest. The society was based on individual greed or selfishness, exploiting the weakness of the other fellows, while under the co-operative system the strong helped the weak, and each man was allowed to develop his own abilities and utilized them in helping himself and helping others. Thus self-help and mutual help were basic co-operative principles underlying a new order of society. These principles

also influenced the content and method of cooperative education. Of course illiteracy and ignorance had to be combatted and ultimately banished and men and women properly equipped if a new society were to be oriented. Education to be of the right kind must not only influence the mind but also change the character and habits of people educated to fit them into a new society. The question of co-operative education would, therefore, require to be tackled in three principal aspects, viz., political, consumer and service. If the ideals or aims of the co-operative movement were to be related to the problems of modern society, a new philosophy must emerge and it can emerge only when a large number of people are equipped to think of the common problems, while others are equally prepared to give answrs to them. The co-operative movement itself should apply a two-fold test for the development of co-operative education. In the first place, it should ask itself the question whether the result of such education is likely to benfit the members of societies as individuals and secondly whether it would directly facilitate advancement and progress of the co-operative system. If new loyalties in the co-operative movement are to be created, more effective methods of organization of propaganda and publicity and of co-operative education will have to be devised. As regards the education of the consumer in the art of rational consumption, there can be no two opinions about the fact that proper co-operative education must conduce to better living, as few have realized that it would increase the efficiency of co-operative production and distribution by curtailing the ugly and harmful products which the co-operative shops are compelled to supply in response to popular demand. This aspect of consumer education must receive increased attention in future if demand on the part of consumers were to be made more rational. Thirdly, the social character of the co-operative movement requires that other means of attracting capable men and women to the co-operative fold than the attraction of dividend on purchase or promotion to higher ranks would have to be evoked. They must have to be inspired by a high sense of service in a great cause. The creation of this spirit of service and devotion to a laudable cause can arise only from a fuller understanding of the aims and ideals of the great movement they are serving. This is the most important task which co-operative education has to

perform and it is for those who occupy positions of responsibility and leadership to fulfil this obligation.

(2) Co-operative Education in Britain :-The Rochdale Pioneers had personally undertaken educational work even before they set apart a certain portion of net profits of their society for educational cause. After the passing of the Industrial and Provident Societies Act, 1852, their rules were so amended as to provide and set apart $2\frac{1}{2}\%$ of their trading surplus for educational work, thereby introducing a tradition which the co-operative movement has maintained even today. The example of the Pioneers was widely followed in the country. Not only the retail societies but also other co-operative institutions such as the C. W. S., the S. C. W. S., and productive societies began to donate funds for educational purposes. Education thus began to be looked upon as a part of co-operative work and the literate began to teach the illiterate at Rochdale. Not stopping at that, classes in science and art were organized and lectures delivered by prominent persons who were experts in their own subjects. The local unit for co-operative educational work is the individual retail society in Britain. Many societies have independent education committees which are given funds for carrying on the work of education. Such committees organize propaganda, cultural, social and recreational activities and some large societies even employ full-time education officers. In some societies it is the sub-committee of the Managing Committee that is entrusted with educational work. For organizing technical education, joint committees of management committee and education committee are also functioning in some cases. The wholesale societies give scholarships, afford special facilities for training and organise technical classes for the benefit of their employees and thus provide incentives in the form of higher salaries to those that pass the examination. At the highest level co-operative education in Britain is co-opdinated and guided by the British Co-operative Union which functions through its Education Department. In each geographical section of the Union, a Sectional Education Committee is elected which is representative of the education committees of individual societies, the management committees and other auxiliary organizations like the Guilds. The members of the National Education Executive are drawn from the sectional committees or councils and the National Education Executive is a committee of the Co-operative Union and is responsible for

formulating an education policy for the co-operative movement subject to the control of the Central Executive and the Congress. It also supervises the Co-operative College and tenders advice on local schemes of work. It runs correspondence courses on Co-operation and other subjects and conducts examinations. Further, it also maintains contacts with other educational bodies outside the movement. The First Conference of Co-operative Educationists which arose out of the Annual Conferences of Teachers was held in 1909 and the first Summer School was held in 1913. In 1914 an Adviser of Studies was appointed by the Co-operative Union and under his leadership the demand for starting a co-operative College grew. Classes for part-time students were organized for the first time in 1915 at Holyoke House, the headquarters of the Co-operative Union. In 1919 the Co-operative College was started and in 1923 residential accommodation was also provided. Co-operative education in local retail societies is rather tilted in favour of consumer co-operation, and this is natural if we consider that there is a predominance of consumers' societies in the Co-operative Union. Directions given by the sectional officers of the Education Department and the syllabuses issued by the Department go a long way in correcting this bias in favour of consumers' co-operation. Similarly the correspondence courses of the Education Department give a more comprehensive conception of the co-operative movement. The amounts voted by retail societies (about 450 in number) towards educational purposes aggregated £ 416,419 in 1953, not all of which was spent on education.

(3) The Educational Work of the Co-operative Union:- The work of the Co-operative Union in regard to education falls under three main categories mentioned below:-

(i) The Co-operative Youth Movement,

(ii) The holding of examinations, arranging local classes, postal tuition and issue of publications,

(iii) Supervision of the Co-operative College.

(*i*) *The Co-operative Youth Movement*—The Co-operative Youth Movement in Britain is nationally a well-knit organization and was started in 1941. Prior to that year the work of local co-operative societies among youth comprised

(a) Classes for children of school-going age at which mt story of Rochdale Co-operation was told,

(b) Junior Circles and Junior Guilds,

(c) Comrades' Circles of young men and women of 14 to 25 who are the local units of the British Federation of Co-operative Youth,

(d) Local Units of the Woodcraft Folk,- a children's organization that teaches co-operation mainly through crafts.

In the year 1941 the British Co-operative Congress approved a national co-operative youth movement with three age-groups:

(i) Rainbow Playways (7 to 10 years), (ii) Pathfinders (11 to 14 years) which are referred to as 'Junior Groups' and (iii) 'Youth Clubs' (15-20 years).

The Woodcraft Folk (7-15 years) and the British Federation of Young Co-operators (18-25 years) remain as auxiliaries within the co-operative movement.

Objects of the Youth Movement.—The objects with which the youth movement is started are:

(a) To teach the social significance of co-operation as a way of living,

(b) To organize the youth for social, cultural and recreational activities,

(c) To develop personality and character through self-discipline.

General Lines of Work Undertaken and Finance :

The local co-operative society assumes the responsibility of educating the youth and the expenses are met from the educational grant made to the Education Committee. Very often, the members themselves pay a small weekly subscription for the purpose. At the national level, organization, direction of policy advice to local units, publications, periodicals, representation on other bodies, the provision of national holiday courses for children, youth and leaders, are controlled and governed by the educational executive of the Co-operative Union. The Ministry of Education grants financial assistance to the youth work. Some income is also derived from registration fees charged to local units and donations made by members of local units are credited to a special fund. A Sectional Youth Committee is established by the Education Executive of the Co-operative Union in each of the geographical divisions into which Great Britain is divided. It has on it representatives of Co-operative Education Committees, leaders of Youth Clubs, junior groups, and members of Youth Clubs.

The total strength of the Co-operative Youth Movement was 728 units with 23,251 members organized by these societies.

Method of Work.—The youth movement is open to all young people, both boys and girls. Most of the leaders of the youth movement are part-time workers and are given a token payment for their services by the local society which appoints them. Some of the larger societies appoint full-time organizers to supervise and develop the work. Amongst the Junior Groups the wor,k is mainly recreational and attempts are made to teach co-operative principles through excursions, visits and games. Juniors meet once a week for about an hour and a half. Among the Senior Groups who are members of the Youth Clubs, more advanced instruction is given and they are trained to participate in matters relating to control and administration such as Committee men and Officers. Members of such youth clubs meet for more than one night per week and partake in the activities such as discussions, lectures, drama, music, physical recreation and they are also encouraged to study various aspects of citizenship and co-operative management. Among their other activities may be mentioned the holding of correspondence courses in youth leadership by the National Headquarters, the publication of pamphlets and magazines peraining to the co-operative movement.

The co-operative youth movement in Britain is an integral part of co-operative education and its direction is in the hands of the Education Executive of the Co-operative Union. The youth movement is also associated with other youth organizations, both at the national and international levels. Nationally it is associated with a Co-operative Society called "Co-operative Youth Centre, Limited", which was set up in 1944 for the provision of three residential youth centres. In these three centres one week's residential holiday courses for the members of the youth club are organized. In addition, week-end and one-week residential courses are organized for the training of leaders and for organizing activities such as physical recreation, drama etc. The co-operative youth movement internationally has a representative on the British National Commission for the World Assembly of Youth. It is also a partner in the British Standing Conference of National Voluntary Youth Organization which is concerned with physical, mental and spiritual welfare of those

who are under 21 years of age and who do not belong to any political party.

(ii) The second function of the Co-operative Union is holding of examinations, promotion of local classes, correspondence tuition etc. :

(a) *Syllabuses, Examinations and Awards.*—The Education Department of the Co-operative Union acts through its national and sectional staff as a clearing house of information and advice to all societies, their employees and individual members in the matter of selection of studies. Provision is made for the award of a Diploma in Social Science and an Honours Diploma in Co-operation. There are two general courses for Junior Employees under Co-operative employment on the technical side, that is to say, a preparatory certificate course and intermediate certificate course. For salesmanship and management studies, special courses are introduced leading to the award of apprentices group certificate, salesmanship diploma, branch manager's diploma, departmental manager's diploma and general manager's diploma. For employees on the secretarial and clerical side, courses of studies leading to the award of book-keepers' and cashiers' group certificate and co-operative secretaries' diploma are also available.

(b) *Local Classes and Discussion Groups.*—Local classes discussion groups, lecture series, day and week-end schools are also encouraged and promoted by the educational department by preparing syllabuses and holding examinations. Sometimes, local societies organise their own classes and do not exactly follow the syllabuses prepared by the Union. They also arrange for informal local group discussions. In this sort of work, they are also assisted by the Co-operative Union, as it has published a design for study series of discussion booklets.

(c) *Correspondence Tuition.*—For the benefit of members and employees, who are unable to attend the local classes or the full-time residential courses, at the Co-operative College, tuition by post is also available in most of the subjects for which syllabuses are provided.

(d) *Short-term Courses, Social and other Activities.*—Recent years have witnessed considerable attention being paid to music, drama and self-expression. According to Jack Bailey, there were in the year 1953, 124 drama groups, 143 choral groups, 22 orchestral groups, 16 film groups and 39 groups of other kinds.

There has also been considerable expansion in the variety and number of courses provided. The statistics of adult classes held during 1953-54 by Local Education Committees, the correspondence courses introduced by the Education Department and other classes organized are given in the subjoined table. (Vide page 150—Jack Bailey).

Courses	No. of students attending.
(A) Technical Education.	
Evening Classes	
(i) According to the union Syllabus.	5011
(ii) Not according to the Union Syllabus	1286
(B) Day Release Classes.	3583
(C) Other Educational Activities for employees.	8344
(D) Adult Education.	
(i) Social including Co-operative Studies.	2136
(ii) Subjects other than Social studies.	5530
(iii) Short Lecture Courses to Auxiliaries.	14815
(iv) Cultural Activity Groups with continuing existence.	10736
(E) Postal or Correspondence Tuition.	2454
Total ...	53495

The Educational Executive has recently organized an international course for co-operative education at Stanford Hall for officers and committee members engaged in co-operative education in different countries.

(e) *Annual Education Convention.*—The Convention of the National Co-operative Education Association is organised every year during Easter by the Education Department which is

attended by the delegates from member-societies, and also by visitors. The Convention determines the educational policy which the educational Executive has to carry out, subject to the rules of the Co-operative Union and the authority of the Co-operative Congress. At this Convention the Annual Report submitted by the Education Executive to the Co-operative Congress is discussed together with the resolutions tabled by societies. Speakers of national repute take part in the discussions and they are specifically invited for the purpose.

(f) *The Co-operative Union and its Relation with other Organizations.*—The Education Department is closely associated with the British Federation of Young Co-operators, the British Institute of Adult Education, the Workers' Educational Association, the Ruskin College, Oxford, and the British Film Institute. Its close association with these bodies enables the Union to know the manner in which various types of professional men are trained for their career, whether it may be in the co-operative service or not. The aim of the Union is praiseworthy in that it is not confined to co-operative training alone but covers various types of training. The Co-operative Union also represents the co-operative viewpoint in its negotiations with the Ministry of Education, and other Government Departments and acts as a representative of the co-operative movement on various outside educational organizations.

(g) *Publications.*—The Education Department publishes a quarterly—"*Co-operative Education Bulletin*" containing upto-date information on developments both within and without the co-operative movement, with particular reference to the educational work of local societies. A prospectus detailing the courses available at the Co-operative College examinations etc. is published annually. It also issues a series of study outlines on co-operation entitled "Design for Study Series". The Education Department also prepares text-books for the courses conducted by the Co-operative Union.

(3) The Co-operative College at Loughborough, Leicester:

The Co-operative College is an apex body for higher co-operative education in Great Britain. It is located at Stanford Hall which was purchased in 1945, in commemoration of the Centenary of the Rochdale Store. The College is owned by the Co-operative Union, while the management of the Hall and its

estate is entrusted to a Joint Committee representing the Central Executive and the Education Executive of the Union. The College provides accommodation for about 110 residential students and has a well-equipped library and affords facilities for indoor and outdoor recreation. The College runs four Departments relating to social and co-operative studies, secretarial studies, management studies and a course on the development of co-operation in the Colonies. The College session extends over a period of three terms from early October to June. Nearly 20% of the number of students attending the College come from Overseas. The College is open to all those students who are capable of undertaking studies of the following standard or higher—

(1) *Social Faculty.*—Diploma in social science or honours Diploma in Co-operation.

(2) *Secretarial Faculty.*—Intermediate Course Diploma in Co-operative Secretaryship.

(3) *Managerial Faculty.*—Branch Managers' or Assistant Departmental Managers' Diploma.

It may be noted that all the subjects for which courses of teaching are provided at the College are also available under the Education Department's Postal Tuition Scheme. The advantage is that those who undergo such part-time studies can continue their education at the College and those already completing their course at the College can complete their studies by correspondence, if, by chance, they are compelled to leave their College in the midst of their studies. It may be noted that the Co-operative College must be really a centre of inspiration, and research and teaching carried on at the College must be related to the history and practice of co-operation in a country. The influence of a centre of learning like a Co-operative College on the quality of membership of the movement is really great, and it would depend ordinarily on the quality of teachers provided. A teacher at the Co-operative College must possess not only high academic qualifications but must also have wide experience in the theory and practice of co-operation in different countries of the world. He must also bring to bear on his work breadth of vision and he should have an intense desire to increase the knowledge of those who come to seek it at his hands. Then only a Co-operative College would have its legitimate place in the system of co-operative education in a country. The College should, in addition also

be housed in a decent building of its own, providing facilities for studies and recreation in a calm atmosphere both to the teacher and the taught. It should also have a library, well stocked with relevnt documents and publications connected with co-operation, economics and other allied subjects. But the Co-operative College alone would hardly be able to carry on the task of research and training necessary to raise the general level of co-operative education in a country. In this task the Universities must also be availed of and one or two chairs or readerships in Co-operation must be endowed in selected Universities. So far the work of the Co-operative College at Loughborough is of a high order and deserves the admiration of Overseas students. Apart from the Regional Courses for internal students, the College runs special courses of many kinds, e. g., the Education Department holds summer schools for members, employees, officers, management committees and others engaged in co-operative work. There are also facilities provided at the College itself for demonstrations in salesmanship and member service. The College is fully equipped for games and sports and other social purposes and it also owns a handsome theatre. The Co-operative College is a living embodiment of faith of co-operators in the efficacy of co-operative education which is something more than a mere ornament and leads men on to a better way of living.

(4) **University Extension Movement :**

The Co-operative movement in Britain has attempted to see that co-operative studies are included in the curricula of public educational institutions. A reference may be made in this context to the University Extension Movement which originated in the sixties of the 19th century. In 1867, Prof. Stuart of Cambridge University, who was a pioneer of the University extension movement, gave courses of lectures for ladies in Liverpool, Manchester and Sheffield etc. Demand for similar lectures came from working-men and he delivered two series of lectures, one to the railwaymen at Crewe and the other to the members of the Rochdale Pioneer Society. These lectures laid the foundations of the University Extension Movement, which made University teaching available to ordinary people by sending professors to provincial and other centres for the purpose of lecturing on different subjects and by bringing these classes of people and students to the Universities to attend courses of lectures during the summer vacation. In

1873, the Cambridge University set up a local lectures delegacy which was followed by the Oxford University, which established an extra, mural delegacy in 1878. In 1876, the London Society for the extension of University teaching was founded and it was controlled jointly by the Cambridge, Oxford and London Universities. The Co-operative Movement provided scholarships to students in order to enable them to attend the summer meetings at Oxford and Cambridge. University extension courses were at that time the sole means whereby workingmen could be given instructions in history, economics and other social sciences, and through such courses the Universities helped the co-operative movement by providing both students and teachers, when they began educational work. In 1908, the first University Joint Committee for Tutorial classes was set up under the auspices of the Oxford University delegacy, which had an equal representation on it of the University, the Co-operative Union, the Trades Union Congress and the Workers' Educational Association which had been started in 1903. This movement spread to other Universities. The type of education imparted was of a general nature, endowing those who took advantage of the same with general knowledge on which could be built any kind of co-operative technical training.

34. Evaluation of the Co-operative Store Movement in Britain. Its Achievement and drawbacks :

The Co-operative Consumers' Movement has spread in some form or the other throughout the civilized world. From what has been stated in the earlier pages of this chapter, it will be seen that England is one of a few countries where the movement is highly developed. The shops, bakeries, factories etc. are seen in all parts of the British Isles. Every English city boasts of co-operative stores which are the largest and the best. Co-operative consumers' societies are also found to have been responsible for ecouraging habits of thrift among their members. The savings effected are considerable but are not the only economic benefits which the societies have conferred on their members and the public. The socio-economic advantages of consumers co-operation that have accrued from the spread of the consumer's co-operative movement are listed below :—

(Vide Chapter XXXIV of the Author's "*Theory and Practice of Co-operation in India and Abroad*-Vol. I—pages 526 to 528)

(1) A more equitable distribution of wealth is brought about through the device of Patronage Refund.

(2) Monopolies and combinations which are distinguishing features of capitalistic economy are broken up as alternative sources of supply are made available.

(3) The purchasing power of the working class people is increased through supply of better services and quality goods.

(4) Production for use is encouraged in place of production for exchange. More emphasis is placed on production of goods for satisfaction of human wants than on acquisition of profits in satisfaction of individual greed.

(5) The more the working man's family eats, the more it saves through Patronage Refund.

(6) The machinery of distribution is simplified throug h elimination of unnecessary middlemen.

(7) Speculation is avoided and a proper balance is struck between supply and demand through certainty and regularity of the consumers' market.

(8) The employment position is stabilized as a result of conditions of stability and certainty in business brought about by regularity of demand for goods. The class struggle between labour and Capital is avoided under co-operative employment.

(9) The mass of members are helped in correct ways of spending their monies and they are dissuaded from buying on credit.

(10) Consumers' co-operation has brought about a peaceful revolution in both economic and social spheres. In the social sphere the benfits that have followed the spread of the movement are mentioned below :

(1) The practice of the principles of co-operation teaches people to be thrifty, self-reliant and industrious.

(2) Participation in the affairs of a society promotes the spirit of mutual help and a sense of brotherhood and a readiness for self-sacrifice for the common good. Team-work is also promoted which facilitates the building up of a new socio-economic order.

(3) Advancement of individual and social welfare is encouraged through recognition of private property and the right and the ability to own it.

(4) Co-operation being a principle of national and international peace, class conflicts and international wars are banned.

The more the number of people and Governments acquire the habit of working together for attainment of common ideals, the nearer is the road to the creation of a co-operative Commonwealth of nations.

(5) Co-operation is a bulwark against Statism as it insists that people should look to themselves and do the work and not let others do the things which they themselves can undertake satisfactorily.

(6) Competition in Industry is replaced by co-ordination and a new spirit in industry and social life is engendered. through mutual service, implicit in co-operative effort.

(7) Co-operation makes members better citizens of the State, better electors and more honest businessmen.

Educational Benefits :

Consumer co-operatives have also rendered signal service to the cause of education by running co-operative schools and colleges, by starting libraries and by arranging lectures, seminars and conferences periodically to elicit opinions on the burning questions of the day. These benefits of consumer co-operation are not confined to Britain alone, but are found to follow in all countries where the movement has taken root. Despite its achievements, the gradual decline in the amount of 'divi' on purchases which has been a major attraction for the co-operative shop is creating a number of problems for the consumers' movement. This is because co-operation in Britain has been facing intense competition from private agencies like the multiple shops which have also become consumer-conscious and are adopting the very methods that are followed by co-operatives and the more powerful amongst them have even gone one step further in controlling the sources of raw materials they are required to use. They have resorted to modern methods of advertising under expert guidance with immense advantage to themselves in that they have been exercising an influence in moulding public taste and consumer demand. Private agencies are motivated neither by social aims nor by democratic principles in conducting their operations nor are they bound to run shops which are uneconomic and unremunerative. As a result, they do not provide services which do not pay. The main question posed for the co-operative consumer movement in Great Britain is : Will the democratically controlled co-operative movement be able to

compete successfully and meet the challenge of private trade? Though there may not be scope for pessimism, if the co-operators are alive to the situation, yet the new competitive pressures which have already threatened the payment of dividend on purchase at the old level have created a number of difficulties and unless the movement is in a position to provide efficient service and quality goods in place of the 'divi' on purchase, it would be pretty difficult to maintain the status quo. The leaders of the co-operative movement in Britain must be prepared to persuade the autonomous societies to shed their complacent attitude so as to become efficient units, to handle trade in the continuously changing times. That there is undoubtedly an awareness that certain weaknesses have crept into the movement since post-war days is evident from the fact that the Co-operative Union has already appointed a Sub-Committee of its Central Executive to make surveys of co-operative development and to make recommendations in regard to current trading and economic problems. An independent Commission had therefore, been set up in order to "survey the whole field of co-operative production and marketing, both wholesale and retail, and to prepare a report and offer resommendations designed to secure the greatest possible advantage to the movement from its manufacturing wholesale and retail resources and to propose to the Central Executive such methods and organization as may be thought best suited to achieve this. The main object of the appointment of the Commission of Enquiry was necessitated with a view to removing stagnation in co-operative trade judged by an elevated standard. What the report of the independent co-operative commission has brought in regard to various aspects of the movement has alreody been detailed at appropriate places in the previous pages. Its recommendations are also set forth elsewhere.

35. Weaknesses of the Consumers' Co-operative Movement :

As against the achievements mentioned in the last paragraph must be set drawbacks or weaknesses of the movement which have stood in the way of its competitive efficiency. Most of these drawbacks are already called attention to by the Co-operative Commission set up by the Co-operative Union and independant measures also recommended by the Commission. They are simply listed below :—

(a) *Unplanned area of operation of Societies.*—One of the weaknesses of the retail organization arises from the fact that the areas of operation of many societies are unplanned. Their boundaries have been fixed by historical growth and not by economic needs. The result is that many local societies are too small in the context of the area to give their members a full range of services, nor are they prepared to allow other societies to fill the gap, being too jealous of their autonomy. If every retail society were large enough to organise every service in every part of its area, co-operative retail sales would certainly be increased. The basis of all co-operative activity is the retail society There were 964 societies at the end of 1955 and they were of varying size. There are many societies below the minimum mark and their continued existence as small-scale units results in a permanent loss of co-operative trade.

(b) *Lack of Loyalty.*—Some societies are disloyal to the wholesales and to the co-operative co-partnership societies because the outlook of their committees is too parochial.

(c) *Lack of Internal Co-ordination in the Retail Movement is more glaring.*—There is still a belief current among some societies that the real enemy is not the multiple shop or the departmental stores or the small trader but the next-door co-operative retail society.

(d) *Lack of Adjustment of the Trading Organization to the changing patterns of National Spending.*—As already mentioned previously, the co-operatives' share of the dry goods trade is small and serious efforts are made to improve the position, though there are limiting factors such as heavy capital commitments, too many societies and the complications arising therefrom, and want of credit facilities etc. Even in regard to greengrocery, fruit and fish trades, many societies have lagged behind.

(e) *Self-Service Shops.—Insufficient attention to changes taking place in retail trading.*—Post-war economic and social conditions have made distribution a costly business. Innovations and modifications in the techniques and methods employed are introduced by the competitors in order to run their business more profitably and efficiently. The new situation is a challenge to the success of co-operative retailing. Co-operatives were no doubt ahead of their competitors for some time past but the multiple-

shops or stores have increased the number of their self-service units and are becoming more formidable rivals.

(f) Lack of capital resources is hampering the growth and development in some branches of consumer service. For example, it is possible to take up organized entertainment by way of theatres, cinema-owenership and to develop sea-side resorts by investing in hotels, holiday-camps etc. in order to be able to attract a considerable part of consumer spendings to themselves. Thu slack of capital restricts the provision of a more comprehensive range of service to meet members' requirements. Capital shortage is a growing problem for an increasing number of societies, which stands in the way of framing proper trade plans.

(g) *Lack of loyalty on the part of members.*—If substantial business is to be secured, co-operative production is essential. The wholesales are at present the main sources of supply. Without the loyalty of the consumer-member the retail society cannot take full advantage of the productive resources of the wholesales. Unless the employees of retail societies are keen enough to sell co-operative products, the efforts of managing committees are not likely to bear fruit. The co-operative wholesales also will have to meet local demands promptly and effectively. The co-operative co-partnership societies have also a special place in the co-operative economy and there is plenty of scope for joint planning and co-operation at each stage of production and distribution. The producer and consumer co-operatives are different wings of the co-operative movement and in a well-knit diversified co-operative economy neither should exclude the other. If co-operative salesmanship is equal to its responsibilities, it should not be difficult to bring harmony among different units.

(h) *Want of Proper Leadership..*—The leaders of the co-operative movement are too much pre-occupied, with the capturing of political power and have shown indifference to other forms of power which are no less important in a democratic society. Democracy, it should be remembered, springs from healthy local institutions in different spheres and their co-ordination at the top and these institutions are in themselves limited democracies in the fields of production, distribution and consumption having the right of self-government. The belief of the State Socialist is opposed to this view of democracy, and he considers that all questions, political, economical and social, can be solved by Parliament alone

and that the unit of democracy for one purpose can very well be democracy for all purposes. So long as this misconception persists, the future of the co-operative movement in Britain must unforunately remain uncertain under any system of economic plan. The neglect of the interests of the co-operative movement by the leaders of the Labour Movement has deprived it of the energetic and enterprising leadership, which is certainly required to steer the local institutions to success.

(i) *Place of the Co-operative Movement in a Collective Economy*..—The State Socialist also believes that the consumer co-operative movement in Britain need no longer stick to its principle of voluntarism. Prof. G. D. H. Cole, in his publication entitled " The British Co-operative Movement in a Socialist Economy " has very forcefully pleaded that the outlook and the attitude of those in charge of the movement in respect of the voluntary principle and of relationship with the State should undergo a change in harmony with the altered conception of the modern state, which has assumed specific responsibilities for the development of the resources of the nation and for the promotion of democracy in economic life. The attitude of aloofness or separateness of the co-operative consumer movement, Prof. Cole avers, might have been the proper one to adopt when the only alternative was a subordinate partnership with uncontrolled capitalistic enterprise. With a welfare state this relationship, Prof. Cole urges, should be that of constructive partnership. In his opinion, co-operation cannot expect to supplant and replace capitalistic individualism and competition by a new order based on common ownership and community living, if co-operators adhere rigidly to the voluntary principle and if their only hope of making ' an end of capitalism is by a very gradual process of beating it at its own game. ' Co-operation may have succeeded, according to Prof. Cole, in the restricted sphere of organization of consumers, in affording protection against adulteration, in cheapening the cost of production and in acting as channel for the investment of small savings. Even in this field in the country of its origin, according to Prof. Cole, not more than one-third of the adult population has been brought under the influence of the consumer co-operative movement, the aggregate trading of which does not exceed one-quarter of the entire volume of retail trade in the country. In other spheres, the progress achieved has been much slower and much less substantial. Under

socialist regime, Prof. Cole adds, a new kind of co-operative society not standing apart from the State but working closely with the State as a recognized part of the mechanism of socialized enterprise, will have to come into being, if the trades or industries are socialized. Speaking about the coal trade, he states in his pamphlet entitled " Next Steps in Co-operative Advance " as under:—

"The State through the new Coal Board could set up a National Coal Distributing Agency on a co-operative basis, so that every coal consumer could become a member and receive dividend on purchases out of the surplus of the mutual trade. The co-operative movement as it now is could be given a large representation nationally and locally on the Governing Bodies of the Agency which could be authorised where it formed an effective existing co-operative body capable of handling effectively the entire local supply of coal either generally or to domestic consumers to use that body as its agent for the area concerned. In other areas the new public co-operative agency would establish its own distributing system and in both types of area the private traders would be bought out so as to leave only one or the other kind of co-operative agency in existence. I feel convinced," says Prof. Cole, " that something of this sort is a right solution and that the solution applies not only to the trade in coal but also to a number of other trades in which there is a prospect of conflict between rival, socialist and co-operative notions of how the consumer can best be served." A solution of this sort should, according to Prof. Cole, satisfy both the socialist desire to do the best for *all* the consumers and the co-operative desire to preserve the principle and form of co-operation as the basis of service. " I am asking", says Prof. Cole, " both co-operators and socialists and many people who are required to give careful attention to the solution not to be deterred from adopting it on the ground that it involves the departure from the accepted co-operative principle of voluntarism. Where socialization is made the basis in any branch of industry or service, co-operation cannot survive on a voluntary foundation. It must either be the representative of all the consumers and act in partnership with the State or be prepared to be pushed out. "

APPENDIX A

Summary of Conclusions and Recommendations made by the Co-operative Independent Commission.

The Diagnosis

The co-operative share of total retail trade is approximately 11 per cent. This is scarcely higher than it was before the war and there has evidently been a marked slowing-down in the rate of co-operative expansion. In particular, before the First World War co-operative retail societies and the multiple shop organizations enjoyed about equal shares ; to-day the multiple shops' share is almost double that of the Co-operative Movement.

The failure significantly to expand the co-operative share of trade since before the war has been mainly due to the weakness of certain sections of the dry goods trade, states the report. Nevertheless the position in the food trades also gives ground for some concern. The small increase in the co-operative share of these trades as a whole has been almost entirely due to a spectacular expansion in the milk trade. The share of the groceries, provisions, fish, fruit and vegetables, and household stores trades has declined.

Trade progress has also varied considerably as between regions. Between 1948 and 1955, the Southern, Midland, Western and Northern Sections increased their share of retail trade in their areas. The North-Eastern Section barely maintains its share; while the South-Western, Scottish and North-Western Sections actually lost ground. These variations in progress cannot be entirely attributed to variation in the initial degree of penetration. However, the greatest scope for further expansion still lies in the relatively underdeveloped Midland and Southern half of the country, and especially in the Greater London area.

The variations between individual societies are even more pronounced. Of the 97 societies with a turnover of more than £ 2 million per annum in 1955, only 31 increased their share of

retail trade in their area between 1948 and 1955, further 31 failed to hold their share by a comparatively small margin, while 35 lost a significant amount of ground.

The Physical Causes

These weaknesses are primarily due, in the Commission's opinion, so far as purely physical causes are concerned, to an inadequate number of dry goods outlets all over the country; an inadequate number of food outlets in the Southern half of the country,; the faulty location of many dry goods outlets; and a maldistribution of outlets as between small towns where there are relatively too many and large towns (where there are relatively too few).

The report then turns to the wholesale picture, and finds that the Wholesale Societies appear to have maintained their position as general food wholesalers to the retail societies. That is, the latter buy approximately the same proportion of their food supplies through the Wholesale Societies as they did before the war. But in non-food goods, and especially in furnishings, hardware and electrical goods, the Wholesale Societies appear to have lost ground and the retail societies now obtain higher proportion of their supplies from sources outside the Movement.

The production of the Wholesale Societies appears slightly to have increased their share of total retail society sales since before the war. But this is mainly due to the expansion of a number of processed commodities such as milk and meat. Manufactured goods, as a whole, do not appear to have increased their share, and there has been a sharp decline in the share of footwear, furnishings and hardware.

As there has been a large increase in productive capacity since before the war, the consequence is that a number of factories are now seriously under-utilized.

Framework of Principles

The Commission conducted the inquiry and made its recommendations on the assumption that co-operative societies will continue to be organized on the following basic principles.

First, the democratic principle. Naturally the precise character of co-operative democracy has altered with the growth in the size of societies and other technical and economic changes. The degree of member-participation is now much less and it is no longer feasible for the elected Board to undertake the detailed day-to-day manage-

ment of a society. But neither of these changes is regarded as destroying the reality of democratic control, provided, on the one hand, that the fraction of members who do participate is representative of the whole, and on the other, that the elected Board concentrates not on the minutiae of detailed management, but on ultimate supervision and control.

The second principle is that the distributable surplus belongs to the consumer and accrues to him in proportion to his purchases instead of to the capital-holder in proportion to his share-holding.

The third principle is that of a fixed return on capital carrying with it the consequence that private capital gains cannot occur in the Co-operative Movement.

The fourth principle is that of consumer-protection. This, the report defines, however, not in terms of a purely negative duty to combat exploitation or the sale of adulterated goods, but in terms of a positive obligation actively to promote the interests of the co-operative consumer.

A retail society, says the report, should accept the following aims : to sell at prices which are never consistently under-cut by any major competitor : never to sell shoddy or untested merchandise, but only goods for which it is willing to accept complete responsibility; and to maintain the highest standard of shop location, layout, appearance and service. The slogan should be that " nothing is too good for the Co-operator. "

Recommendations.

The main recommendations are divided into two groups : first, detailed recommendations to retail societies, the Co-operative Union and the Wholesale Societies respectively; secondly, two major structural recommendations which the Commission regards as the most central and most immediate in its report.

Recommendations to Retail Societies

Dividend and Price Policy:

1. The traditional maxim—" sell at market prices and treat dividend as a residual "—is still in principle correct, provided that " market prices " are interpreted as being the prices of the most successful private competitors in each trade and each area. This should be the price policy of retail societies.

2. When faced with the choice between a small increase in dividend and an additional allocation to the reserves, societies should normally choose the latter.

3. Societies should seek to stabilize dividend at a level (if necessary, below the current level) which, in the light of local history and conditions, is high enough to act as an effective inducement to trade, but not so high that it cannot be maintained for a period of years ahead; and they should allocate the remaining surplus, and any increase in the surplus to reserve.

Financial Policy:

4. Societies in need of fresh capital should consider more carefully than they have done in the past the possibility of offering higher rates of interest.

5. The Movement should be circumspect about relying too heavily on the growth in superannuation funds as a regular and reliable source of new finance.

6. Societies should set aside more than they do today for depreciation.

7. Societies should allocate substantially more to reserve than they do today.

8. Societies should call in some part of their huge reserve of financial investments. This raises the question of what is the correct ratio of liquid assets to withdrawable members' capital.

On this point, the Movement should define with great precision what constitutes a liquid asset, and societies should treat as their liquid reserve only that part of their investments which is genuinely liquid.

9. A 20 per cent liquidity ratio should normally be regarded as appropriate for the Movement as a whole, although some individual societies may find it advisable for reasons of local history and conditions to adopt a higher, or even a lower figure.

Management:

10. Societies' Boards should concentrate on major policy and ultimate supervision, leaving the detailed management to the paid officials; and the exact division of responsibility between Board and officials should always be clearly laid down.

11. As a general rule, standing Sub-Committees of Boards should be abolished, and the main Board should meet at the very most weekly and possibly monthly.

12. All societies (except very small ones, where the question hardly arises) should, if necessary with the help of outside business consultants or the Co-operative Union, create a clear management

structure, with unambiguous job specifications and an explicit chain of command.

13. The Movement should be more willing than it has been in the past to recruit from grammar schools and universities.

14. In all large societies the selection, recruitment and training of school-leavers should be the responsibility of a specialized Personnel Department.

15. Boards should, when considering ths recruitment of the managerrs of the future, adopt a more generous attitude towards salaries—though they should then be more ready to dismiss officials for slackness or incompetence.

16. All large societies should establish a system of management trainees; that is, they should select their most promising material in the 20-25 age group and give them intensive training as the potential top officials of the future This training should, where possible, include selection for the main courses at the Co-operative College

17. All societies should adopt a definite policy of regular consultation with the representatives of the Trade Unions and the employees, and medium and large societies in particular should devote more resources than they do now to the increasingly specialized function of personnel management.

Amalgamation:

18. Retail societies should accept the view that the "ideal" number of societies is in the region of 200-300, and they should willingly co-operate in the national amalgamation survey and plan recommended below.

Recommendations to the Co-operative Union

19. The Central Executive should invite Congress to authorize a national economic and trading survey designed to lead to definite proposals for amalgamation.

20. The Sectional Boards should then draw up at least the outline of actual schemes for amalgamation, and should present these, sometimes in the form of alternatives, to the societies concerned. Where the Board of a Society opposes an amalgamation proposal submitted to it by the Sectional Board, it should nevertheless offer the latter equal facilities with itself for presenting the case to a members' meeting at which the final decision should be taken.

21. The following principles should be observed in the preparation of the amalgamation schemes. First, the interests of the

employees must be fully safeguarded. Secondly, suitable guarantees must be given to the senior officials of the societies concerned. Thirdly, where local conditions make this possible, existing Boards can sometimes be kept in being as District Committees of the new society. Lastly, further to retain the element of local identity, it may sometimes be possible for a society transfeerring its engagements to retain its local name as the " X " Division of " Y " Society.

Labour Relations:

22. The Co-operative Union should establish some form of Joint Industrial Council with the Trade Union in addition to the existing wages machinery. This would provide a forum for joint discussion not only of such question as staffing, labour turnover, training and promotion, but also of the wider economic problems facing the Movement.

Central Services :

23. The Co-operative Union Labour Department should be expanded and given explicit new functions. In addition to its present responsibilities for wage negotiation and conciliation, it should become a central advisory body on such questions as bonus and incentive schemes, staff training, recruitment policy, joint consultation and personnel relations generally.

24. An Employment Advisory Service should be created by the Co-operative Union to act as a meeting place for potential management recruits and potential employers, and to provide, if requested by societies, expert and independent advice on the selection of senior officials.

25. Both the Co-operative Union Finance and the Research and Statistical Departments should be enlarged, and they should in addition to their present functions, provide for the benefit of Boards of societies regular yardsticks of trade and capital progress to enable the Boards clearly to judge the relative efficiency of their societies.

Finance :

26. The Central Executive should propose to the Congress a substantial increase in societies' contributions to the Co-operative Union, which are lower as a proportion of trade than they were before the war.

Recommendations to the Wholesale Societies

Production Policy :

27. The greater proportion of co-operative capital ex-

penditure in the next few years should take place, not in the production, but in the retail field.

28. The wholesale societies should, as opportunity offers, narrow the range of output and the number of separate lines which they produce, and use available resources primarily for improving the efficiency and expanding the output of the remaining lines.

29. Detailed investment decisions should be taken on the basis of a comparison of relative rates of return on capital.

30. Working capital and transfer costs should be accurately allocated to all productive units, and a central audit department should have the duty of examining the books of all units, and of reporting to the Board on what use they are making of the capital allocated to them.

Merchandizing and Wholesaling Policy :

31. The Wholesale Societies should establish an open system of volume discounts on all orders (including on goods which are invoiced through); they should vary their prices and margins broadly according to the actual services which they render, charging only a buying commission to the Society which is prepared to take delivery direct to its own warehouse, but a full wholesale margin to the society that demands a full range of wholesale services ; and they should introduce stricter obligations as to contract than what now appears to exist.

32. The Wholesale Societies should adopt the system already commonly used in private trade, whereby the buyers spend a definite proportion of their time in retail stores making contacts with sales staff and customers, and so becoming more "retail-minded".

33. The Wholesale Societies should be willing to make known to retail societies the terms of invoicing through agreements for, if they are justified in their claim that no one is worse off as a result of these agreements, there can be no point in the present secrecy.

Merchandizing of Co-operative Productions :

34. Clear decisions should be made as to where the responsibility lies in each case for the merchandizing of Co-operative products. If it lies on the production unit, then the factories must be free to set up their own sales organizations, conduct their own promotion campaigns and even if necessary, sell to private

trade. If it lies on the wholesale unit, then the wholesale buyers must ensure, by alert and dynamic specification buying, that the factories are kept fully utilized. The choice will vary according to the commodity. But the responsibility must rest firmly on one unit or the other; and the unit concerned must then, without either expecting or demanding special consideration on grounds of loyalty, but simply by the exercise of its own initiative and enterprise, create the market for goods.

Financial Policy :

35. The Wholesale Societies should make every effort to allocate more to reserve than they do to-day, the objective being that the operations of the Trading Departments should ultimately be independent of withdrawable loan capital.

36. At a suitable future date the Wholesale Societies, while retaining the present system of withdrawable deposits, should create in addition a new form of long or medium-term loan carrying a higher rate of interest.

Management and Labour Relations :

Both the greater part of the recommendations to retail societies under the heading " Management ", and the recommendations to the Co-operative Union under the heading " Labour Relations", may be taken as applying also to the Wholesale Societies.

Reorganization of the Wholesale Societies :

37. The function of democratic control should be exercised in each Wholesale Society by a lay Supervisory Council, elected in the same way as the present Boards, but ultimately part-time instead of full-time. Its role would be essentially a trustee and supervisory one, exercised on behalf of the member-societies; it would confine itself to supervising and sanctioning major policy, and altogether eschiew interference in detailed management.

38. Each Council should appoint a full-time Central Management Board, to be managerially responsible for the organization as a whole. Below this, there should be a Finance Executive, a Food Executive, a Dry Goods Executive, and a number of Central Divisions. The Management Board would consist of the Chief Executive Officer (and his deputy) of the wholesale society and the heads (and in some cases their deputies) of these Executives and Divisions. It should not, however, exceed a size of (say) 12.

39. By way of illustration, it is recommended that the Central Divisions should consist of a Secretariat, a Technical Services Division, a Retail Liaison Division, and (in the C. W. S.) an Agricultural Division.

40. Again, by way of illustration, the Finance Executive should consist, in addition to a chief official and his deputy, of the Bank Manager, the head of the new Investment Division, the Chief Accountant, an official responsible for share and loan accounts, and (in a liaison role) the General Manager of the Co-operative Insurance Society.

41. The Food and Dry Goods Executives should consist, in addition to the chief and deputy officials, of the heads of a series of vertically organized product divisions or groups of product divisions, with such full-time technical members as may be found desirable.

42. The Food and Dry Goods Executive should also contain a proportion (say, 3 or 4) of retail society chief officials, appointed by the Supervisory Council, as part-time members.

43. In order to accomplish the transition, the existing Boards of Directors should compose the first Supervisory Councils, and no Director should suffer any loss of salary or emoluments as a result of the change. The change of name and function should be sharp and immediate, but it is not proposed that the existing Directors should become part-time; the transition in this respect should be accomplished by electing only part-time members as vacancies on the Council occur.

44. Meanwhile, the full-time members of the Council should form themselves into an *ad hoc* Reorganization Committee, charged with the single task of supervising the various structural changes in the Wholesale Societies proposed in the Report.

A Co-operative Retail Development Society :

45. The Movement urgently requires to establish national chains of specialist shops in certain of the dry goods trades.

Notably in the clothing and footwear field, in which the movement is lagging conspicuously behind, the advantages of multiple shop organization are well proved and local societies, restricted by boundary agreements, are in no position ever to attain these advantages.

The contrast between the co-operative and multiple scale of operations in these trades can only be described as staggering.

In most food and some dry goods trades, a rapid programme of amalgamation, combined with a development of federal action would give the Co-operative Movement an economic average scale of operation. But in clothing and footwear it could never do so; for here only a national, or at least a regional market would justify the necessary scale.

On the side of retail societies, this requires a surrender of the notion that the local society can claim a permanent monopoly of co-operative trade in its own area, regardless of the untapped co-operative potential which may exist. At the centre, it requires a body first to decide on and then to plan the establishment of the national chains.

To carry out these various central functions the Co-operative Union, acting under the authority of Congress, and the two Wholesale Societies, acting under the authority of their constituent societies, should jointly establish a new federal society to be known as the Co-operative Retail Development Society, the nominal voting shares to be held one-half by the Union and one-half by the two Wholesale Societies. These bodies would choose a part-time Supervisory Council in the same proportions, to consist of elected persons; the members would be chosen on the side of the Union by Central Executive, and on the side of the Wholesale Societies from the new Supervisory Councils.

This Council would appoint a full-time Management Board, to consist (for purposes of illustration) of a Chief Executive Officer, his deputy, and the heads of an Operational Services Division, an Organization and Methods Division, a Retail Development Division and an Economic Planning Division.

46. The Council should also appoint a number of part-time members to this Board, to consist of an equal number of, on the one side, chief officials of retail societies, and on the other, members of the Management Boards of the C. W. S. and S. C. W. S., together with the General Manager of the C. I. S.

47. The Chief Executive Officer of the Retail Development Society should also be an ex-officio member of the Management Board of the C. W. S. and his deputy of the Management Board of the S. C. W. S.

48. The Development Society should not itself own capital. It would channel requests for capital from retail societies to the

appropriate lending institutions, which will, of course, themselves be represented both on its Council and on its Board.

49. The current income of the Society should be provided as to one-half by the Co-operative Union and one-half by the Wholesale Societies. This will require an increase in societies' subscriptions to the Union, which has already been recommended above.

50. The Congress resolution which authorizes, it is hoped, the formation of the new Society, should also include an injunction to it to proceed at once with the planning and establishment of the first national specialist chain.

51. The Movement is finally recommended formally to re-examine both major constitutional issues, and also its basic trading policies, at least once every decade.

From the mass of these recommendations it is possible to disentangle four measures of reform made by the Commission :

(1) The Commission has urged the revision of the whole structure of management of retail societies. Though it regards democratic control by members as essential, it suggests that the whole-time efficient executive managers should be appointed in retailing, wholesaling and production and it is they who should take the day-to-day decisions, leaving all matters of policy and overall control to Management Committees elected by the members. This suggestion of the Commission implies payment of higher salaries to really able men, recruitment of staff from a wider area and removal of the slack and imcompetent men.

(2) The second recommendation relates to the merger of the weaker units with the larger ones, so that 964 retail societies may be brought down to between 200 to 300, with the result that they might be able to effect economies of bulk handling like their competitors—the multiples—and match the prices of their successful rivals in each area and trade. By reduction in their number retail societies, according to the Commission, would be in a position to maintain the highest standards of location, layout, appearance and service. The Commission further urges the retail societies to buy the goods the consumer wants, whether such goods are obtained from the co-operative stores or from private manufacturer, and charge economic prices varying these and their margins as may be justified by the actual service they perform. Similarly, the Commission calls upon the wholesales to narrow

the range of their production and decide about production of goods strictly on considerations of comparative return on capital.

(3) The Commission recommends the establishment of the co-operative retail development society which should act as a channel for development finance and be responsible for the formation of national co-operative chains of specialist shops and it should start first with a chain of footwear shops. According to the Commission, it should be financed by bigger subscriptions from member-societies affiliated to the co-operative union, though this might affect the status of the C. W. S. Bank. Such an institution, if created, would provide common consultancy services on selling, business and management methods and techinques. The Commission pins its faith on the expansion of co-operative retail trade largely through this institution, which is of course the fourth and the last measure of reform suggested. In order to achieve the objectives in view, the Commission has further recommended that wholesaling and production would have to be subordinated to the expansion of trade. As targets for achievement the Commission further suggests that within the next ten years the turnover of business in food articles should be increased by 33%, while the non-food sales should go up by 100%. The capital investment to support this expansion is put at £ 200 million or about twice the current rate of annual expenditure. To maintain this rate of investment, retail distributive societies are advised to build up their reserves, if necessary, by curtailing their dividends on purchases and on shares. They are further enjoined to raise the rates of interest on share capital not so much with the object of attracting new capital to the movement as that of discouraging withdrawals of the existing capital, and of reducing investments they hold outside the co-operative movement so as to bring down the existing liquidity ratios. The Report of the Commission may be characterised as a radical one in that it has been addressed to a conservative organization which has failed to keep abreast of the times. The Commission no doubt considers that given the effort and the requisite investment, expansion of co-operative share of retail trade is possible in every field of retailing. The sum and substance of some of its recommendations is that the retail distributive societies should specialise in those activities or trade in which they do well and cut out those in which they do not. Will most of the smaller retail societies agree to

shed their autonomy and be prepared to amalgamate with the larger units in the interests of competitive efficiency of the movement as a whole? The future alone will show how far they will react to the rosy hopes held out by the Commission which would imply self-effacement to many of the small societies.

Action taken on the recommendations of the Commission

The report was first considered by the Whitsuntide Co-operative Congress which met at Scarborough in 1958 and subsequently at the sectional conferences and finally at a special congress session which met in autumn at Blackpool, where the following resolutions were passed on two very important aspects dealt with by the commission. "The Congress endorses (1) the basic principles for amalgamation of societies recommended by the Independent Commission (reducing the number from 750 to 200 to 300 societies) and requests the Central Executive to assume the responsibility of conducting a detailed national servey of the whole problem and (2) the establishment of the Co-operative Retail Development Society whose function will be to reinforce local co-operative effort by services to the current operations and forward planning of societies and by action in setting up National Chains of Specialist shops and the Central Executive to report to the 1959 Congress on the measures taken to constitute, organise and finance this society."

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II PART [II]

AGRICULTURAL CO-OPERATION AND DEVELOPMENT IN THE UNITED KINGDOM

SECTION I

The Agricultural Background :—Before we go to trace the rise and development of agricultural co-operation in England, it is necessary to know and under stand the nature of the land and its physical features and the nature of climate, so as to be able to appreciate why agricultural co-operation has been slow to develop in this part of the world. Engiland is the largest, wealthiest and the most populous of the units of the United Kingdom. The U. K. consists of England, Scotland, Wales, North Ireland, the Isle of Man, the Channel Islands and a great number of smaller islands of their coasts. The area of England is 50327 square miles with over 48 million persons in 1951. The Midlands or Centre is the industrial part of the country, while the agricultural low lands of England contain most of the large scale production. Rainfall is abundant averaging 41 inches a year. The natural fertilty of the soil is varied and agricultural conditions differ greatly from one part of the county to another. In each area a large part of the acreage is devoted to permanent grass or grazing purposes. Crop and livestock production is the highest in the eastern part of England. In the drier east and south-east England crops like wheat, potatoes and sugar-beets are grown. Fruit farming and poultry farming are fairly widespread and are most important in the eastern and southern parts of the country. Fluid milk production for sale in towns is dominant farming enterprise over a greater part of the low lands, and broad valleys of Central and Western England. Since World War II, a rapid increase in mechanization of farming has taken place throughout the country. In 1954 there were 251,000 land holdings of more than 5 acres in England, of which more than 50 per cent were between 5 and 50 acres. The rise and development of agricultural

co-operation in England can be conveniently divided into four periods, viz., (1) the period prior to formation of any national agricultural co-operative association, when isolated attempts were made to develop independent societies; (2) the period beginning with the present century when producers' co-operation had the benefits of the central guiding authority; (3) the period of inter-War years when both co-operation and agriculture were in a depressed state, and (4) the post-World War II period.

2. Beginnings of Co-operation in Agriculture :

Under the British system of land tenure, the land-lord provided capital for long-term improvement and there was, therefore, less incentive to form co-operative credit societies on the Raffeisen model. The purpose of the first co-operative in agriculture was not credit, but an attempt to combat the adulteration of fertilisers. This was a serious problem before the Fertilizers and Foodgrains Act was passed in 1906, which made adulteration illegal; Co-operation in agriculture must proceed on the basis of needs of agriculture if it is to play its role in the development of co-operative economy. Consumers' co-operation must go to meet it as a partner and not overwhelm it by its own type of organization. Edward Greening had clearly perceived this when he formed the Agricultural and Horticultural Supply Association in 1867, with the object of selling farmers' requirements by methods that had proved so successful in the case of Consumer co-operation. Emphasis was laid on purity and quality and a professional analyst was engaged. The headquarters of the Association were in London and its membership was mainly confined to farmers and market gardeners in the home counties and membership rose to 4000 in course of time. The Association worked successfully for nearly half a century and closed its doors during the World War I. In 1869, the farmers of Cumberland became the victims of fraudulent sales of fertilizers and they had at the time no remedy except to become their own suppliers. They therefore, proceeded to register in 1870 the Aspartia Agricultural Co-operative Society under the provisions of the Industrial and Provident Societies Act. These efforts were followed by thirty years of slow and sporadic growth. In 1901 a few enthusiasts formed an Agricultural Organization Society with the object of promoting agricultural co-operation followed in 1905 by the formation of the Scottish Agricultural Society. The new A. O. S. began to work with energy, drafting model rules,

issuing pamphlets, holding meetings and conferences and trying to secure press publicity. In 1909, it undertook certain additional work in aid of co-operative small holdings and allotments for which it received grants from the Treasury. Later, it received a larger grant from the Development and Road Improvement Fund which was created by an Act of Parliament for the purpose of making grants and loans for a number of specific objects including "aiding and developing agriculture and rural industries....by the organization of co-operation." The A. O. S. was reorganized in such a way that half the number of its Governors were elected by the member-co-operative societies, one-third by the Ministry of Agriculture and the remainder by various interested bodies. There are two types of Agricultural Co-operative Societies, viz., (1) Requirements and (2) Producers Societies. Their functions often overlap. Requirement societies are formed to purchase seeds, fertilizers, feeding stuffs, coal, cement and other requirements and supply them to the farmers, while producers' co-operatives are formed with the object of marketing the produce of the farm. Some service societies also have been established in order to provide insurance, the use of machinery which would be uneconomical for a single farmer to purchase and facilitate stock-breeding and grass-drying. By 1908, the number of agricultural co-operative societies had risen to 114. By 1914, it was 200 and by 1920 the number rose to 381, exclusive of small holdings and allotment societies. Membership amounted to nearly 85000 and the turnover of business or trade was in the neighbourhood of £ 1,75,00,000 of which £ 1,00,00,000 was made up of agricultural requirements and the remainder of agricultural products, milk and milk products, eggs and poultry, meat and bacon, fruit and vegetables. At first the main task of agricultural requirements societies was to protect their members against misdescription and adulteration of supplies. With the enactment of the Fertilizers and Feeding Stuffs Act of 1909, they could really effect economies of handling and cutting middlemen's charges. It was evident that unless co-operative societies could get control not only of retail but also of wholesale trade and imports, only a limited progress was possible. This was discovered by the Industrial Co-operative Movement and the establishment of the Co-operative Wholesale Society (C.W.S.) in 1882 was the result. An Irish Agricultural Wholesale Society was in existence in 1897. A Non-trading

Adviosry Business Department had been formed as early as 1904 and the next year witnessed the establishment of a small purchasing federation which did not evoke the support of the larger requirement societies, and it, therefore, came to an end in 1909. The next proposal was to the C.W.S. to open an Agricultural Department. The proposal was not favoured by the C.W.S. at the time and in 1912 the A. O. S. encouraged the formation of an independent Farmers' Central Trading Board to negotiate bulk purchases on behalf of member-societies, and in 1918 this Board was converted into an Agricultural Wholesale Society. By this time the C.W.S. had opened an Agricultural Department and was carrying on an appreciable trade with agricultural co-operatives, particularly in cereal offals from its own mills and oil cake from its own crushing plant and margarine works. Thus the new A.W.S. had to meet the competition of the C.W.S. for the trade of the farmers' co-operatives. The Society was neither properly financed nor was it well managed and it made the mistake of piling up of stocks during the last year of the World War I when the prices were very high. When prices began to fall—the slump of 1922—the society lost very heavily and in 1924 it had to be wound up. By 1920 it had been felt that the agricultural co-operative movement had esxpanded too rapidly, and that its leaders lacked experience. With the onset of the agricultural depression in 1922 and decontrol, many societies found themselves in difficulties. With the collapse of the Agricultural Wholesale Society in 1924, many of the smaller societies were brought to the edge of ruin and liquidation. They could be saved with the aid of small Government grant obtained through the good offices of the National Farmers' Union. Many of the larger societies were also heavily in debt to the C.W.S. The C.W.S. came to the rescue of these societies by nursing them and demanding no immediate repayment of their debts until they could find their feet again through the next difficult years. It is on account of this generous and sympathetic policy of the C.W.S. that many flourishing agricultural co-operatives today owe their existence. Meanwhile, the C.W.S. expanded its agricultural department and enrolled many of the agricultural societies as its shareholders. The latter bought at least some portion of its requirements from it. The C.W.S. became a large buyer of home-grown wheat and other commodities handled by the Farmers'

Co-operatives. The failure of the A.W.S. was a serious blow to the prestige of the A. O. S. which had promoted it. The A.O.S. itself was drawing heavily on Government funds but was reluctant to accept Government control in matters of policy, and hence the Development Commission was dissatisfied with its policy. In 1923 Government grant was stopped. Though the A.O.S. tried to carry on with voluntary subscriptions, it went out of business in the next year. With the collapse of the A.O.S. the Agricultural Co-operative Movement in England was left without leadership. It had no central organization of its own to discuss common problems and build up common services. Besides, it had no means of educating the members of the general public or staff. On account of pressure from the Ministry of Agriculture the N.F.U. set up a Co-operative Committee, which advised purely on legal matters but did not undertake publicity or propaganda. The membership of the Agricultural Co-operative Society dropped a little after the collapse of the A.W.S., but the cash turnover dropped more heavily. In 1928 there were still 220 societies having a membership of 67000 and sales amounting to a little under £ 1,00,00,000. Then followed years of struggle by individual societies to regain their stability. Committees and Managers became more experienced and cautious and the World War II once again brought a period of agricultural expansion and there was steady progress. By 1938, the number of societies had been reduced by amalgamation and disappearance of weak societies to 221, but membership had stood at 86,000, while trade amounted to £ 1,30,00,000, including requirements of £ 1,00,00,000. As far as sales were concerned, they had still a good deal of lost ground to make up. The financial position and stability of societies was considerably better than what it was in 1920 and the inability to regain the former volume of trade in agricultural commodities was entirely due to the establishment of Agricultural Marketing Boards, which took the handling of milk (with some local exceptions) out of the hands of voluntary co-operative societies. As milk had formed the most important single item of farm produce handled by co-operatives, the effect on the statistical position of British agricultural co-operation was serious. But co-operation found an opportunity to develop other departments of agricultural industry. It supplied the feeding stuffs to the reorganised dairy industry and the concrete

roofing and fencing required for improved methods of cow-keeping. Particularly after the outbreak of the World War II, it provided fertilizers and seeds with a view to increasing the food supplies both to the old customers and to the new people who had taken to arable farming. It helped in the marketing of graded and tested eggs through national mark packing stations. It also experimented in the use of machinery and brought about improvements in the methods of stock-breeding by the establishment of artificial insemination centres. Ever since the collapse of the A. O. S., the agricultural co-operatives in England had remained without a leader; Conferences were called and discussions held to decide whether a new central organization should be set up or an agricultural section of the Co-operative Union should be formed. A useful step was taken in 1936 by the formation of an Agricultural Co-operative Managers' Association. The General Managers of the Farmers' Societies joined the Association and they often met together to discuss their common problems and promote the well-being of their societies. The Managers being servants of the Societies could not represent the societies in regard to matters of policy. That is why it was decided in 1946 to form a Central Body of the Agricultural Co-operative Association. Membership of this Body was to consist of agricultural co-operative societies in England and the subscription levied would be in proportion to the turnover in order to earn adequate income, so that the Association might be independent of Government grants. During the ten years of the A. C. A's existence, farmer membeship of agricultural co-operatives had doubled and business had multiplied five times. In 1956, a new organization called the Agricultural Central Co-operative Association was ushered into being, on which the N. F. U. was represented and to which the engagements of the A. C. A. were transferred. The agricultural co-operative movements in the British Isles have never been without mutual contacts, according to Digby and Gorst, and the A. O. S's have met frequently. In 1924, an Empire Co-operative Conference was called on the initiative of the Horace Plunkett Foundation. This organization is the outcome of a Trust created by Horace Plunkett for the purpose of facilitating the systematic study of the principles and methods of agricultural and industrial co-operation. The Foundation became an Empire Clearing House of co-operative information and it opened offices and a Co-operative Reference Library in London.

It also started the publication of the Year Book of Agricultural Co-operation and is concerned in all the agricultural co-operative development of the past 25 years. In 1937, a Round Table Committee was instituted consisting of representatives of the A. O. S's, the N. F. U., the A. C. M. A. and the H. P. F. This Committee transformed itself in 1947 into a registered body under the title of "The Federation of Agricultural Co-operatives of Great Britain and Ireland" with the object of serving as a central organization representing the agricultural co-operative movement in Great Britain and Ireland. The Post-War period has been one of impressive developments of agricultural co-operation. Membership increased from 108000 in 1946 to 207000 in 1955 in England alone. Making allowance for some duplication, it was estimated that two out of every three farmers belonged to agricultural co-operatives as against one in five in 1930 and one in two in 1946. It may be noted in this connection that members do not exclusively trade with their societies. As a result, the co-operative share in the national trade of agricultural industry is considerably smaller than the membership figures warrant. Statistics are also not available in regard to the proportion of co-operative to national turnover in various agricultural commodities. As per one estimate made in 1952 the co-operative trade on the requirements side for the United Kingdom as a whole was about 18 per cent of feeding stuffs, 13 per cent of fertlizers and 10 per cent. of the seed. On the marketing side it is assumed that the co-operatives handled over one-third of the eggs going through packing stations. Excluding the dairy produce marketed by the Milk Marketing Board exclusively, it was estimated that the share of co-operative trade was about 10 per cent. of annual sales. Though this is not an impressive figure considering the total membership, it may be noted that it is an expanding share of the market. The total turnover of business during a decade from 1946 to 1955 rose from £25 million to £108 million. Though this increase is partly attributable to inflation, yet the increase must be regarded as substantial.

SECTION II

Requirements and Multi-Purpose Societies in England.

Societies for the supply of agricultural requisites or requirements were first developed in England. With the development

of the co-operative movement, most of them took on additional functions, viz., the marketing of grain and other commodities, operation of egg-packing stations etc., and have developed a wide range of services during the post-war period. Hence they are termed ' Multi-purpose Societies '. The subjoined statement gives statistics relating to the working of these societies as on 31st March 1956:

No. of Societies.	...	77
No. of Members.	...	1,10,454
Paid-up Share Capital.	...	£ 53,17,149
Reserve and Undistributed Surplus.	...	£ 33,30,869
Loans and Mortgages.	...	£ 8,19,392
Bank Overdrafts.	...	£ 17,36,518
Value of Agricultural Requirements.	...	£5,37,43,599
Value of Agricultural Produce marketed.		
(i) Dairy Products.	...	£ 4,71,905
(ii) Eggs and Poultry.	...	£ 70,48,418
(iii) Meat, Bacon and Livestock.	...	£ 4,80,446
(iv) Wool.	...	£ 1,47,246
(v) Fruit and Vegetables.	...	£ 3,83,374
(vi) Potatoes and grain.	...	£ 54,68,039
(vii) Unclassified and Miscellaneous	...	£ 5,20,439
(viii) Aggregate turnover including requirements.	...	£6,82,63,466

The following breakdown by percentages for the year 1955 makes clear some of the characteristic features of the English requirements movement :—

Turnover	No. of Societies.	Percentage of Member-ship.	Percentage of total of turnover.
(a) Over £ 2 million	7	46	52
(b) £ ¾ to £ 2 million.	16	28	31
(c) £ ¾ to £2 million.	18	18	13
(d) £ 50,000 to £ ¼ million.	19	6	4
(e) Under £50,000	17	2	Less than ½%

These statistics indicate that over half the turnover of the 77 requirements societies is handled by the seven largest societies, and that the groups (a) and (b) together account for 83% of the total turnover. Further, it is noticed that in the case of (a) and (b) groups, their total turnover is greater than their membership. This means that members of larger societies are doing more business with their societies than members of smaller societies. One of the most important reasons explaining this state of affairs is the multi-purpose nature of the larger societies. Marketing activities accounted for 24% of the turnover of the larger societies (a) and (b,) and the figure was 9% in the case of medium societies. In the case of small societies, the percentage was 3 and in the last group with a turnover of below £ 50,000, it was negligible. The turnover per member in larger societies was £ 694 as against £ 450 in the medium soc.etes. This gap is less marked if trade in requirements were considered. The average member of a larger society bought £ 527 worth of farm requirements through his society, while the medium society member spent only £ 410. This gap is attributable to the ability of the larger society to attract more trade from members by offering a greater variety of goods handled and by providing more services. What is obvious is that a greater proportion of co-operative trade is being handled by a relatively small group of big multi-purpose societies, covering an area of one or more counties and having a membership of 10 to 11 thousand. Thus development of agricultural co-operation in England differs from most other countries in that the structure is a multitude of relatively small local societies federated into a regional wholesale. It is true that the structure as it exists in England has raised certain problems of its own. In the first place, the problems of overlapping have been frequent and persistent and there is also the undesirable element of inter-co-operative competition. A society with an area covering one or more counties may have several independent small societies within its jurisdiction. A larger society is economically compelled to extend or expand its activities because of a larger capital expenditure on plant, grain elevators or compounding mills—which require larger membership in order to obtain an adequate return. Larger societies may of course permit the use of certain facilities to the smaller ones and there may be friendly competition between them which would stimulate their employees to greater efforts but it must be admitted that the overall efficiency

of the movement would be enhanced if the problem of overlapping could be solved by mutual understanding. Another problem raised by the size of these societies is that of the democratic government. As the area of operation of a multi-purpose society is large, a farmer member cannot be blamed for not going a hundred miles or so in order to attend a general meeting. Thus there are multi-purpose societies whose general meetings are attended by a fraction of their membership and with some of their distant areas of operation going completely unrepresented. This lack of democratic management may be one of the reasons why farmer-members do not effect more business with their societies. This is, however, now realized by the societies who try to stimulate members' discussion on annual reports and the figures in the balance-sheets. Guest-speakers attending general meetings may give light talks on farm topics. The best way to bring about democratic management is to adopt the practice of holding of branch general meetings electing representatives to convey their opinion to a central delegate meeting. In France this is compulsory for societies covering more than a department or having a membership of more than 1000. The French practice can with advantage be adopted.

2. Activities of Societies.

(A) Supply of Agricultural Requisites : Bulk of the turnover of requirements is in feeding stuffs and fertilizers. Percentage of the former was 60, while that of the latter was 20. Seeds accounted for another 10% and the remaining 10% consisted of machinery, implements, hardware and other miscellaneous supplies. The turnover of business in fertilizers and seeds has increased more rapidly because the import of feeding stuffs was restricted, and the home-grown seeds produced on the farm have taken their place. Again, the campaign to bring more land under the plough and the increase in home output both of bread-grain and feed-grain has meant a rise in the importance of fertiliser and seed sales. The main business of societies is in manufactured compounds, though they also supply oats, barley, linseed, and fish-meal (straights) to the larger farmers who prefer to mix their own feeding stuffs. The smaller societies buy their compounds from either the big private manufacturers or from the mills of the C. W. S. Some of the larger societies do their own compounding. For this purpose they buy homegrown cereals direct from farmers and imported grain, millers' offals and oilcake from the C. W. S. or the private

trade. Societies manufacturing their own compounds push their sales through commission agents often paying high commission over sales to the travellers. Some societies try to sell C. W. S. compounds and some others stock three or more kinds of better known compounds manufactured by the private trade. Many orders are invoiced through the C. W. S. , which charges a small commission for this service but this is offset by the annual bonus on all purchases, paid by the C. W. S. Thus there is no concerted action on the part of the movement to be self-sufficient in this respect. A variety of reasons explains this situation. In the first place, many private manufacturing firms are household works, and their products sell themselves. Secondly, societies buy from private trade on quite satisfactory terms. Thirdly, some societies have installed large manufacturing mills which are not working to full capacity.

(*a*) *Fertilisers.*—As regards fertilisers, they have been up to now purchased from the big pr.vate manufacturers and it is only recently that the C. W. S. has taken shares in a Norfolk Farmers' Company making fertilisers, and has enlarged and modernized the plant. In the post-war period, the reputation and sales of West Norfolk fertilisers have increased rapidly.

(*b*) *Seeds.*—The supply of seeds has become a major element in the trade of requirements societies. Seeds are bought direct from farmer-members, some of whom may grow select-seeds for the society on a basis of contract. Alternatively, seeds can be purchased from the C. W. S. Seed Department, from private merchants or from one of the existing societies of seed-growers. Many societies maintain their seed-cleaning plant and carry out seed-dressing as well. They undertake cleaning of farmers' seeds and stock seeds for retailing.

(*c*) *Machinery.*—Turnover of business in machinery is relatively small, as manufacturers have refused agencies to co-operatives. In the earlier years co-operatives lacked the capital and the technical knowledge required to run the necessary servicing and repair-shops. Numerous private agents constitute vested interests in this line of business and manufacturers are not in a position to offend them by giving agencies to co-operatives who give bonus on purchases. For a majority of the societies this line of business yet remains to be developed. A new line of business is the supply of fuel and lubricants. Some societies have

secured agencies from private petroluem companies which have prescribed retail prices and area of deliveries. But they have been permitted to declare bonus on purchases. This additional service provided will have the effect of increasing their business either with the existing members or new ones.

(*d*) *Wholesale Trading.*—The C. W. S. is a major source of supply. Forty years ago, the Agricultural Department of the C. W. S. was set up and about 100 agricultural co-operatives have become members of the C. W. S. In 1955, sales to agricultural co-operatives were about 50 per cent of the total requirements turnover. The C. W. S. supplies large quantities of animal feeding stuffs from their flour mills, provender mills and oil-crushing plants. The C. W. S. sells fertilizers produced by the West Norfolk Fertiliser Company and has a horticultural and seed department at Derby. It also deals in cereal seeds and seed potatoes. In addition, it supplies coal, lubricants, agricultural hardware and other commodities handled by requirements societies. The C. W. S. has also other trading links with agricultural co-operatives and a varieties of services are offered. The C. W. S. is also a large buyer of home-grown grain, especially millable wheat, giving the farmers a preference when such wheat is thrown on the market in large quantities and storage space becomes insufficient. It buys large quantities of eggs from agricultural co-operative packing stations avoiding competition with such stations. It also buys wool from some of the co-operatives which are unable to obtain a licence. The C. W. S. and a group of farmers jointly own and manage a long established bacon factory and an egg-packing station. Both these concerns are registered as co-operative bodies. The C. W. S. has a Banking Department in which some of the shareholding agricultural co-operatives have an account. There is also an affiliated insurance society which accepts a wide range of risks. The practical trading relationship between the C. W. S. and the agricultural co-operatives has of course many advantages, but there are also many problems to be solved yet. The C. W. S. does not supply fuel oil and machinery and under the present rules of the C. W. S., the agricultural co-operatives cannot elect an agricultural co-operative director. Nor is the departmental organization of the C. W. S., splitting as it does agricultural trade between several departments, only suitable for an agricultural co-operative wholesale. The Joint Committee of the C. W. S. and the Agricultural

Co-operative Managers' Association working for liaison between the C. W. S. and the co-operatives is doing useful work.

(B) Marketing Activities of the Multi-Purpose and Requirements Societies. The larger societies also engage in marketing activities. Bulk of the British Agricultural Co-operative marketing is handled by specialized marketing societies. The multi-purpose societies handled about 25 to 30% of the total sales of the co-operative movement.

(*a*) *Grain.*—Practically all grain handled by co-operatives (value of about £ 5 million) goes through societies. Members' grain is marketed in a number of ways. Millable wheat is sold to flour mills, good quality barley goes to maltsters or distillers, and oats go to manufacturers of porridge. Oats and rye go to biscuit manufacturers. Before handling grain, the society must decide the current purchase price and usually the societies prefer to inspect the grain on the farm itself. The Society should also decide for what specific purpose the grain is useful, and if the moisture content of grain is above average, it must dry also a few parcels. The processing machinery will usually include a drying plant, a cleaner to remove weeds and chaff, a seed-dressing unit, grinding machinery and mixers for compounding.

(*b*) *Eggs.*—A number of multi-purpose societies handle eggs on a large scale. Nearly £ 7 million worth of eggs marketed pass through their packing stations. Eggs are collected weekly and fresh eggs are sold to retailers, hospitals and hotels.

(*c*) *Other Farm Products.*—A number of societies handle wool in a small way. One markets horticultural produce and another handles dairy produce.

(*d*) The larger multi-purpose societies offer a wide range of services such as rolling, sowing, crop-spraying, mowing, baling, and threshing. The medium societies offer a limited service such as lime spreading, fertiliser-spreading or chemical spraying. In respect of feeding stuff and seeds services such as grain-drying, grinding, compounding rations, cleaning and dressing of farmers' own seeds are undertaken. Several large societies have engineering and building departments, engaged in installation, repair and maintenance. Their work may include building of farm-houses, repair of electric equipment, well-digging and laying on of water, farm-machinery installation and maintenance. These departments do also the specialised work of installation of grain-handling plant. A number of advi-

sory services are also provided by larger societies, as they maintain a team of specialists who include specialists in feeding stuffs, pesticides, weed-killers, and poultry-keeping, and the societies may rogue and inspect members' seeds or provide a soil-analysis service or they may act as agents of co-operative insurance society. There are certain advantages, though indirect, of the services the societies provide. The service provided may bring in more trade and improvement in membership relations.

(*e*) *Internal Organization of Societies.*—There are wide variations in the internal organization of societies on account of their differing size. A small requirements society may have administrative staff divided into Manager's department, accounts, stores and transport section. But administrative staff will deal with all types of trade. The smaller societies are required to undertake a wider variety of lines of business, if they are not to lose trade to their larger competitors. Even if it is not to undertake marketing or provision of service, the supply of farm requisites alone now demands a wide range of technical knowledge and the strain on the staff of a small requirements society trying to cope with developments in different fields is considerable. In the case of larger societies also, the internal organization varies. The General Manager or, in some societies, the Managing Director, is responsible for the day-to-day administration of the business, the Board laying down general lines of policy. Accounting is done normally centrally and a number of larger societies maintain mechanized accounting departments. There may be a general purchase department dealing in different groups of commodities. In some societies purchasing is done centrally. Others allow Branch Managers to purchase some goods independently. Transport may be handled both by the Head Office and the Branches. On the requirements side, specialist departments may include a central manufacturing mill, seeds department, machinery department etc. Larger societies have normally a sales department. This department coordinates the efforts of all sales staff, supplies them with information, does the final pricing of all commodities and is in touch with member-customers through correspondence. In order to build closer contacts with the farmers, reliance is placed on a good sales representative—which is a characteristic feature of the English movement. Other specialist departments in a larger society may include all or any of the following :-

Eggs and poultry-packing stations, building, agricultural engineering, grass-drying, laboratory and insurance.

In addition to specialized departments, there are also the branches, the number of which depends less on the turnover of the society than on its area of operation or communications. A larger society may have as many as 30 branches which may do buying and selling grain and selling feeding stuffs, fertilisers and other sundries. There may be specialized branches such as, Machinery, or Building Department Depots. Some societies operate retail shops which sell agricultural hardware and sundries. The extent to which branches should be permitted to function as autonomous units and what authority should be delegated to branch managers depends on circumstances of each case, and depends also very much on the way the society has developed and on personal factors. There are of course examples of both centralized and decentralized structure and there are advantages and disadvantages of either extreme. Larger societies sometimes appoint area managers who are responsible for the progress of branches in their area. This is appropriate in cases where the area is divided into two or more geographical regions where different types of farming predominate.

(*f*) *Financial Position of Requirements and Multi-Purpose Societies*:

At the end of 1954 the total liabilities of the requirements societies consisted of owned capital amounting to £ 7.6 million and members' loans and creditors to the extent of £ 7.0 million, making total liabilities of the order of £ 14·6 million. The average share capital per head was £ 44. The difference in the financial structure of larger and smaller societies was that larger societies tapped more share capital and loans from their members which they fully utilised for trading purposes. The proportion of owned capital at 52% of the total liabilities may be considered as satisfactory. Share capital remained stationary, while reserves fell relatively, though they increased absolutely. This is so because of disincentive effect of taxation of reserves and the natural desire of members for payment of bonus on business done. A bank overdraft is used to make large seasonal payments to members or manufacturers to cover purchases of the grain harvest or the distribution of fertilisers. A major rise in trade creditors was brought about by an increase in trade debtors. At the end of 1954 members of requirements societies owed collectively to their societies £ 7 million and the average

length of credit was 47 days. This is so because there is no co-operative credit system in England and farmers resort to merchant credit and no modern business can operate on a cash-and-carry basis. There are of course devices employed to check excess credit such as discount for prompt payment, forfeiture of bonus etc., but what appears desirable is the introduction of a credit scheme for medium and long-term needs of farmers. But this scheme requires financial support from outside the movement. The cost of managing a requirements society is somewhere between 7 to 8% of the total value of the goods sold and profits made by the smaller societies amounted to about 3% on turnover of business. A fixed return say about 5%, is paid on co-operative shares and usually a small bonus is granted to the staff of the society. The remaining surplus is distributed as a bonus to members in proportion to business done during the year.

SECTION III

Specialized Marketing Societies

As already mentioned, a part of the co-operative trade in grain, potatoes and eggs is handled by the multi-purpose co-operatives. But the bulk of marketing of agricultural products is undertaken by specialized societies.

(*a*) *Eggs and Poultry.*—The most important item in co-operative marketing in England is eggs. There are a considerable number of farms where eggs are not a side-line but an important source of income. Secondly, the introduction of a national mark scheme guaranteeing grade and qualtiy has proved a great stimulus to farmers to organize co-operatively, as higher prices are obtained for eggs. The Gloucester Marketing Society, Ltd., was used by the Ministry of Agriculture as an example of centralized packing, under the National Scheme for many years. Up to now egg-marketing has been regulated by a temporary Advisory Body—the National Egg-marketing Organization—which issues recommended weekly prices to which most societies and private traders conform. With the establishment of an Egg-Marketing Board, the present structure of egg-marketing is bound to change. There were, at the end of 1956, 29 specilized egg-marketing co-operatives, while another twelve had an egg-packing department attached to some other co-operative undertaking— a requirements society. The subjoined statement gives statistics relating to these specialised societies.

(1) No. of Societies.	...	29
(2) Membership.	...	45,277
(3) Paid-up Share Capital.	...	£ 6,97,443
(4) Reserves and Undistributed Surplus.		£ 3,32,899
(5) Loans and Mortgages.	...	£ 42,148
(6) Bank Overdraft.	...	£ 2,09,796
(7) Requirements.	...	£ 2,06,842
(8) Eggs and Poultry.	...	£ 1,81,06,793
(9) Meat, Bacon and Livestock	...	£ 2,96,624
(10) Sale of Fruit and Vegetables.	...	£ 959
(11) Potatoes and Grain.	...	£ 333
(12) Unclassified Miscellaneous.	...	£ 99,305

Egg-marketing societies have expanded considerably during the post-war period. Membership has more than doubled since 1946 and turnover by about 370%. Their progress has been much faster than the multi-purpose and requirements societies and their size also varies considerably. Eggs are collected weekly by the society from producers. On arrival eggs are ' candled '. Cracked and dirty eggs are sorted out and the sound ones are passed through a machine which sorts them into several grades according to weight. They are finally packed in cases fitted with pulp-frames, and are sold directly to either private retailers or to retail co-operative societies. The larger packing stations send eggs direct to the retail co-operative stores. Some societies also sell poultry and poultry appliances to their members. The supply of poultry feed is one through the local agricultural requirements society. A number of services are provided by these societies. They may employ a poultry adviser who advises on poultry diseases and on the type of bird to be bought for different purposes. Another service provided is a mobile egg-testing unit which visits farms and advises on faults to be found and the methods of their rectification. Service may also include selection of breeding hens, collection of hatching eggs and sale of chicks etc. There have been recent developments in federal activity among egg-societies. Several large societies in South England have formed a federal society to sell their eggs and poultry to retailers in London. Another group have adopted a common brand-name " arrow eggs ". Another interesting federal poultry society has been set up in the West County. This

society purchases all types of poultry from farmer-members of its affiliated societies.

(*b*) *Fruit and Vegetables.*—The production of fruit and vegetables is carried on in many parts of England under a variety of conditions. Many fruits and all flowers are highly perishable. Others such as apples can be stored for some time. Nearly all verieties have short season. In an uncertain climate like the British Isles, fruit and vegetable production is peculiarly subject to alternating scarcity and glut. This makes the crop particularly difficult to sell without waste and to the growers' advantage, and the commercial sales organization is not really efficient and has been long overdue for overhaul. The co-operative handling of horticultural produce has not been a simple or an easy or a uniform process. The subjoined statement indicates statistics relating to these societies at the end of March 1956.

(1)	No. of Societies.	21
(2)	No. of Members.	7,261
(3)	Paid-up share capital.	£ 2,76,665
(4)	Reserves and undistributed surplus.	£ 98;672
(5)	Loans and Mortgages.	£ 1,55,200
(6)	Bank Overdraft.	£ 43,457
(7)	Supply of Requirements.	£ 7,22,729
(8)	Sales of eggs and poultry.	£ 3,10,518
(9)	Sales of Fruit and Vegetables.	£ 24,12,175
(10)	Sales of potatoes and grain.	81,352
(11)	Unclassified and Miscellaneous.	£ 4,61,283

The average membership of a fruit and vegetable marketing society varied from 350 to 400 and the average turnover about £ 200,000. Only £ 2½ Million of their turnnover is in fruit and vegetables, the remaining being the requirements business. The wide range of interest which these societies were having was due to the natural desire of ironing out, seasonal fluctuations and to keep labour fully employed. There are various methods of sale of horticultural produce. One system of operation is through auction mart. Auctions are daily held in summer and in winter they are held three times a week. Growers send in any quantity of produce which is received in a covered market and on its entry it is checked. Growers are responsible for their own packing and

grading. If 'topping' is practised, it leads to cancellation of the sale and a fine is imposed on the grower who is responsible. The society charges a commission on sale so as to cover the cost of running the auction. Sales may also be effected on a basis of contract or by means of private treaty. In the latter case the produce is graded and packed on its own premises and it is sold to wholesalers including industrial co-operatives. Produce thus sold carries with it a guarantee of quality by the society; hence it fetches better price than the auctioned produce. Societies are prepared to accept all the produce consigned to them for sale and do not bind their members by a contract. Nor do they venture to tender advice as to the type of produce to be grown, as such advice might involve a good deal of risk. Besides, authoritative advice on the crop to be raised might imply an undertaking to buy the produce at a price acceptable to the grower which few societies could venture to give. Early potatoes grown as field crops are sold by the requirements societies in the same way as grain. Those societies which do not handle potatoes for sale, supply seed potatoes to their members after buying the required quantity through the C. W. S. which, in its turn, buys direct from growers' societies. Some societies supply their members with fertilisers, sprays and other horticultural requirements. One sells the machinery and runs its own repairs shop and store for spare parts. Several societies make their own baskets by employing men and women in the winter months who act as porters during the busy summer season. A new development is that the grower of hard fruit is provided with proper equipment for packing and marketing. Another recent development is the organization of a Federal Growers' Auctions, Ltd., with a membership of several societies. Its object is to hold an auction to which all member-societies can consign their produce. As regards the financial position of horticultural societies, it may be stated that they are generally undercapitalized, although they have attracted a higher degree of member-investments than most of the marketing groups. The result is that the purchase of fixed assets has been financed from loans obtained from members. For their trading capital they have to fall back upon external sources. The societies that are in a position to supply their members with 'empties' (crates and boxes supplied to members for packing their produce), are in a much better bargaining position than those that rely

on wholesalers. But it may be noted that empties have high initial cost and a short life. That is why one of the heaviest charges on societies has been empties. Fruit and vegetable marketing requires particularly a high degree of skill and competence on the part of the administrative staff of societies. Despite many difficulties, co-operatives handling fruit and vegetables may be said to be making slow and steady progress. About thirty years ago, the hop-growers formed a co-operative hop marketing association with the object of making a better collective bargain with brewers and 90% of the growers signed a contract to sell through the association for a period of five yers. The remaining 10% who had remained aloof were not bound by these restrictions and they sold their hops at a higher price direct to the buyers, and thus they planted more hops. These developments were sinister in their effect on the association which, therefore, put forward a scheme under the Agricultural Marketing Act of 1932, in order to avoid a collapse. A vote of all hop-growers' was taken, and as a result, the hop-marketing association was converted into the Hop Marketing Board with compulsory powers to control the production and sale of all English hops.

(C) Livestock and Livestock Products :

(*i*) *Marketing of Dairy Products.*—The pattern of development of dairy co-operatives in England and their achievements have been different from those of most other countries. The early dairy co-operatives developed around processing facilities for butter and cheese. These co-operatives necessarily required a sufficient quantity of surplus milk for processing but the amount that was available was very small. The large consuming centres of the Industrial areas created a tremendous outlet for fluid milk, thus reducing the milk available for processing. Though there were a number of cheese and butter-making co-operatives, their success was necessarily limited The most successful form of dairy co-operation was in the handling of liquid milk. Many societies were organized on a fairly large scale. They undertook the collection of milk from farmers, cooling and pasteurising it and sending it by rail to the towns often on contract to the industrial co-operatives or private agencies. They were able to obtain satisfactory terms for their members, as they were in a position to maintain a regular supply and could keep the summer surplus off the market. This they did either by manufacturing cheese for a few months

of the year or by persuading their members to increase the quantity of winter milk by offering them graded price so as to bridge the gap between winter and summer output, which makes remunerative marketing difficult. The co-operative dairy industry in England was in a weak position on the eve of the great economic depression of the 1930's. As a result, the idea of Milk Marketing Boards developed. The Agricultural Marketing Act of 1931 was passed in response partly to the pressure of the Scottish Co-operative Creameries. In 1933, a Milk Marketing Scheme was laid before the milk-producers throughout England and it was adopted by majority of milk-producers and put into effect by a Milk Marketing Board elected by the producers. The Board was empowered not only to fix prices but also to direct the distribution of all milk in England and Wales. The compulsory element and the huge number of participants in the scheme made real democratic control and responsibility an impossible thing. Though the Board has been efficient and valuable in itself, it may be noted that it has operated to the detriment of co-operative marketing of milk. That is why the co-operative handling of milk by farmers in England has stood still for the past 25 years. According to Digby and Gorst, the English co-operatives have not benefited from the Marketing Board legislation, as the movement has in so many other countries. The co-operative movement in England has developed independently and not under the protective wing of official legislation. At the end of March 1956, there were seven dairies with about 1785 members and an annual turnover of £ 710,343. The paid-up share capital and reserves amounted to £ 71,893 and £ 86,781 respectively. Dairy co-operatives are either making speciality cheeses or operating pasteurising and bottling plants for the retail sales of milk.

(*ii*) *Live-stock Auctions and Bacon Factories.*—The marketing of meat and livestock was not extensively developed before the War, but recently there has been a marked increase in farmers' interest in meat marketing. The subjoined table gives the requisite statistics relating to the working of bacon, meat and livestock societies.

(1)	No. of Societies.	... 9 (of these two were not working)
(2)	Membership.	... 12,837
(3)	Share Capital paid-up	... £ 1,96,562

(4)	Reserve and Undistributed Surplus. ...	£	4,47,644
(5)	Loans and Mortagages. ...	£	14,336
(6)	Bank Overdraft. ...	£	73,589
(7)	Sale of meat, bacon and live-stock. ...	£	82,20,009
(8)	Unclassified and Miscellaneous. ...	£	4,03,751

One of the successful associations is the Melton Mowbray and District Farmers Association, Ltd., in Liecestershire. It is an auction market for breeding stock. This Association was organized by the local Branch of the N. F. U. and started work in 1918. It had a membership of 2600 and a turnover of £24 million. The Association also runs a butchery business retailing meat direct to consumers. Influence of this market has kept commission charges down to the level of the Melton Market throughout the whole of the country. Other services provided by the Society are: egg-packing facilities, grain-drying, and storage plants, and farm-supplies. Another institution for the sale of meat is the fat-stock marketing co-operative, which was registered as a company in 1954. It was sponsored by the National Farmers Union and was organized to handle supplies of fresh meat (cattle, sheep and pigs) on a dead weight and grade basis. It acts as a central trading concern in the free market and is recognized by the Government as an agency for the administration of the price guarantee under the 1947 Agricultural Act. Co-operative societies are free to deal with the carporation if they so desire. Another way of marketing livestock products is demonstrated by the co-operative bacon-factory. There is a large society handling bacon in North-Eastern England, with a membership of 7600 and turnover of £ 3.7 million. Another which is a joint venture of farmers and the farmers' whole-sale society had a turnover of £ 1 million. It will be seen that there has been nothing like national coverage of co-operative bacon factories in England as the country was over-equipped with private bacon factories before co-operatives entered the field.

(*iii*) *Marketing of Wool.*—Wool is another commodity in which co-operatives do an appreciable share of the national trade. Co-operative marketing of wool has somewhat followed the same pattern as the co-operative dairies have. That is to say, the co-operatives have become part and parcel of the Wool Marketing Board. Before the establishment of the Board, the Wool Co-operatives operated independently. Their method of doing work was

to receive the members' wool immediately after shearing. The wool was graded, labelled and equipped until the late autumn and early winter. Then it was sold at auction at the London Wool Sale. At the time of delivery the grower receives a substantial advance based on the expected price. Final settlement was made after sales were completed and deduction made for storage and other marketing charges. The advance payment was covered by a substantial bank overdraft secured on the wool in storage. Wool is handled by four specialized societies in England and on a small scale by a number of multi-purpose societies, the total annual turnover of both types of society being £ 1 million. In addition to marketing wool the societies usually sold requisites needed by sheep-farmers-sheep-dips, fluids, paints etc. In Scotland there is a very large society handling wool with a turnover of about £ 2 million. It did not wait for winter sales but dealt directly with the large wool buyers and manufacturers both at home and abroad. With the establishment of the Wool Marketing Board, the market for wool came to be controlled by it and the Board regulations prescribed that wool can only be handled by certified agents either 'A' merchants who are the official agents of the Board or 'B' merchants who must dispose of their wool to 'A' merchants. All wool produced is finally sold by public auction on behalf of the Board. The specialized societies are recognized as 'A' merchants, and so is the C. W. S. The multi-purpose societies do not hold 'A' licence and have, therefore, to pass their wool either to 'A' merchants or to the C. W. S. The 'A' merchants collect the wool, grade and value it and pay the farmer in accordance with price-schedules published by the Board. Intially the Wool Board's system of rationalization hampered the work of societies and the United Kingdom Wool Federation was set up to represent co-operative interests to the Board. It has helped the wool producers in a number of ways.

(*iv*) *Women's Institute Market Stalls.*—These women's markets resemble the farmer women's markets in the U. S. A. Membership of these markets is made up of country women. They may be the wives of farmers or of farm-labourers. In general, they sell the products of their gardens, orchards, poultry flocks and in addition, home-made pastries, canned fruits, pickles, jams and other handicrafts are also sold. Fifty-six of these groups are registered, as co-operatives under the Industrial and Provident

Societies Act with a membership of 10,899. They had a share capital of £ 863 and a turnover of £ 1,01,107, at the end of the year 1956.

SECTION IV

Service Co-operatives.

Service Co-operatives are a recent development in England. Such societies perform a number of necessary services for farmers. These services are handled either as small special purpose groups or as departments of large multi-purpose societies. In 1956, there were 42 English societies coming under the category of ' service co-operatives ', with a membership of 12744 and a turnover of just over £ 6.6 million including requirements. They had a paid-up share capital of £ 1,62,602 and reserves and undistributed surplus of £ 2,50,681. Of the 42 societies in this group the different types are shown below:—

10 Crop-drying.
4 Cattle and Poultry-breeders.
3 Seed-growers.
2 Auction-marts.
3 Threshing Societies.
20 Miscellaneous.

In the Miscellaneous group are included hatcheries and societies for artificial insemination, basket and box-making, forestry products and bulb-growing.

(a) **Insurance** :—One of the most widespread services is insurance. The largest farmers' organization in this field is registered under the Companies Act—the National Farmers' Union Mutual Insurance Society, Limited. It was established in 1910 as the Midland Farmers Mutual Insurance Society at Stratford-on-Avon, by a small group of farmers. None of the original members had any kind of experience but they acted on best advice and used their mature judgment. At the end of the first year of its working, 50 applications had been received and policies for a total sum of £ 100,000 were taken up. Most of these were for Fire. In the course of next seven years, the Society extended its activities in close liaison with the National Farmers' Union, using the Branch Secretaries of the Union as its Agents. In 1919 it assumed the present title. In 1923 its activities extended to Scotland and in 1930 to North Ireland. The first business was in fire insurance only. But the

Society now undertakes fire, life, workmen's compensation, live-stock, motor vehicle, burglary, personal accident, road risks, general third party, engineering, boiler and glass insurance. In 1955, the gross premium income of the Society amounted to over £ 5 million. A second and a similar society with a smaller range of business is the Agricultural and General Co-operative Insurance Society. It is a full-fledged co-operative, being registered under the Industrial and Provident Societies Act. It accepts business from all parts of the country but its main field of operation is Lancashire. The Co-operative Insurance Society (the C. I.) is larger then either of the Insurance Societies referred to above. Though its principal business is with the risks of the consumers' co-operative movement, with industrial life insurance and with urban, fire, burglary and similar risks, it does effect considerable business with farmers and many farmer societies act as its agent. In 1954 the Co-operative Insurance Society had a business of over £ 43 million, and a premium income of £ 35 million.

(b) **Mechanization** :—The first successful experiments in the co-operative ownership and use of machinery were the co-operative threshing societies. During the World War I, a number of these were set up when the increase in wheat production strained the resources of the existing contractors. Most of these societies have worked satisfactorily ever since owning and hiring out threshing tackle to their members and employing at least one full-time mechanic to drive and repair the machine. After World War II, demand arose for tractors with their complement of ploughs, harrows and drills. The War Agricultural Executive Committees set to work to provide co-operative service through accumulation of pools of machinery owned by the County Council or by allocating tractors and other machinery to contractors who would undertake ploughing and other operations at fixed prices. The W. A. E. C.'s maintained central storage and repair depots, pools of drivers and mechanics and central stocks of petrol and lubricants.

(c) **Stock-Breeding** :—In areas where farms were small, few farmers could afford a first class bull or a stallion. That is why they formed a society to raise capital. A bull or stallion was purchased and placed under care of one of the members being himself a farmer, with suitable buildings and experience. Service fees would be divided between the man-in-charge and the reserve fund intended for the replacement of the animal. However, the

discovery and perfection for artificial insemination stimulated interest in co-operative breeding associations. The whole technique of artificial insemination station with a highly skilled personnel and rapid communication by telephone and car called for co-operative method of operation. A number of centres have been set up, many with the assistance of the Milk Marketing Board.

(d) **Transport, Electricity and Water Supply** :—Before the War, one or two farmer societies were specially formed to undertake road transport of their members' produce to market. This form of co-operation has not taken root in England, nor is the co- operative supply of electricity, although a few societies were formed in isolated parts of England and Wales. Similarly, no system of water distribution on co-operative lines, has been thought of, though the state of water supply in many English villages is unsatisfactory.

(e) A co-operative activity which fits into no other category is the running of agricultural holiday camps for seasonal workers. There were three societies for this purpose.

(f) **Co-operative Farming and Land Settlement** :—The idea of co-operative farming is very old and most of the experiments made have ended in failure because the people engaged in them were not farmers and that nothing has been done to train the workers for co-operative responsibility. Again, the people that started co-operative farms did not start with the knowledge of agriculture and the sort of living that could be made from it. At the end of 1956, there were five co-operative farms, with membership of 591 and a turnover of £ 70,116. They had a paid-up share capital of £ 18,663 and reserves and undistributed surplus amounting to £ 1,745.

(g) **Land Settlement Association** :—The Land Settlement Association was formed in 1934. It was sponsored by the Ministry of Agriculture and initiated by a group of individual and voluntary organizations sympathetic to the unemployed. It was registered under the Industrial Provident Societies Act. Membership was confined to persons interested in agriculture or social welfare, but they were not prospective settlers. The primary aim of the Association was the reduction of unemployment and it had the financial support of the Commissioner for special wreas. It was financed partly from gifts of money given by individuals or by gifts of land or loans of money from private or public funds. The method of work was to acquire agricultural estates by gift, purchase

or lease, which were considered suitable for intensive farming, divide the lands into five-acre market gardens or ten-acre fish and poultry holdings, provide cottages, buildings, water supplies and approach roads, and rent them to selected settlers. The qualification for a settler was that he must be middle aged, married man with family and a long record of unemployment. All settlers were given a period of training up to one year on an estate before receiving a holding and a number of prospective settlers fell out at this stage or were rejected as being unsuitble. Each estate had a manager with technical assistants appointed by the Land Settlement Association. Each settler was bound by contract to purchase all agricultural requirements from the Association and market all produce to it. He was also bound to take a day-old chicks, weaners and seedling plants, from the Central Hatcheries, breeding and propagating units on each estate. Other central services included mechanized cultivation, accountancy and insurance. The Land Settlement Association thus became a Co-operative Trading and Producing organization on a fairly large scale. The early years of the Association were not, however, smooth; because the capital cost of dividing and equipping has been more than what was expected. Difficulties arose from the character of the urban unemployed settlers, the cost of providing training to them and the wastage that resulted from partly or fully trained men who, in the end, proved unsuitable or unwilling. By 1939, on the eve of the outbreak of the World War II, 440 families had been settled. At this stage Government changed its policy in regard to selection of tenants. All tenants were selected from those who had agriuultural experience already and were prepared to bring at least a part of the capital required, viz., £ 300 each. Tenants on these conditions were forthcoming, and the Association arranged to obtain finance to these tenants either from a private bank or the Trustees of the U. K. Carnagie Trust on its recommendation and secured by charge on the tenants agricultural assets. During the War tenants earned a good income and honoured their obligations considerably in advance. The level of production was high and the Estate Depots were paying their way. As the Association had piled up debts owing to heavy expenses in the early years, no interest was paid. Under the Agricultural Act of 1947, the property of the Association was transferred to the Ministry of Agriculture in cancellation of the outstanding debt, and the Association acted merely as an Agent

of the Ministry. But steps were taken to make the organization more representative of the tenants themselves. A National Association of Tenants was formed in 1948 with Tenants' Committees for each Estate. A National Consultation Committee was also formed in order to consider the scheme of small holdings as a whole. Two tenants were nominated by the Minister on the Executive Committee of the Association. The experience of the Land Settlement Association has demonstrated that settlement on small holdings of even inexperienced people can be an economic proposition, if co-operative services are properly provided. A settlement can yield sufficiently high income for capable settlers and can raise food production per each acre substantially.

SECTION V

Financing of Agricultural Co-operatives.

The sources of capital for an agricultural co-operative are:-

(1) The members.
(2) The public.
(3) Banks specially formed to foster co-operatives.
(4) Commercial Banks.
(5) Commercial firms trading with co-operatives.

Share capital, reserves and undistributed profits are classed as owned capital. Loans from banks or other sources and the credits allowed by traders fall under the category of external liabilities.

(a) **Share** :—Share capital is a foundation of co-operative finance and it should be large enough to keep members' interest alert. A larger farmer should make more use of the co-operative than the smaller. It is equitable also that he should make a larger financial contribution. In some countries the value of the co-operative share may be related to the acreage of farm or a number of cows kept or a given volume of anticipated trade. But in Great Britain, shares are subscribed at the choice of a member. As regards the withdrawal of shares, there is confusion as to the terms on which a share can be withdrawn or transferred. In many co-operatives shares remain always at their face value, although they sometimes change hands at a premium. The Danish device of replacing initial capital by a Bank loan secured on the joint and several guarantee of all members is not found in Britain. A device that can be imitated is the revolving fund. The maximum rate of

interest on share capital is fixed usually by the rules but sometimes by the annual general meeting. In Great Britain, the usual maximum is 5%. Share capital must have to be employed throughout the year or invested in interest-bearing securities. That is why sometimes co-operatives are reluctant to accept more share capital if they have no use for it.

(b) **Reserve Fund** :—The reserve fund is built out of the trading surplus and is brought about by the managerial skill and sacrifice of members. In some co-operatives, rules require that one-quarter or one-half of the net surplus should be placed to reserve until the reserve equals the share capital. Elsewhere the decision is left to the General Meeting on the advice of the Committee and the Manager. In England allocations to reserve are taxed, while distribution of surplus to members remains tax-free. This tends to encourage the distribution of as high a proportion of the surplus as possible in order to popularise the co-operative and to escape taxation.

(c) **Undistributed Surplus** :—In addition to reserves, it is not uncommon to retain a substantial sum as an unallocated surplus. The advantage is that it can be drawn upon, if necessary, to make good the payment of bonus or even interest in lean years. Reserves are an eminently useful form of capital but are costly to build up and they represent the sacrifices of original members who supported a co-operative and who recieved no reward except the services of the co-operative itself. It is this which has led to the moves for the revaluation of the shares of members when the co-operative was authorized compulsorily to repurchase them. Issues of debentures or preference shares have not been popular with the British Co-operative, nor do they accept deposits unlike in the case of the industrial co-operative movement. For a very large number of societies some form of outside finance is necessary with a view to meeting fluctuating demands for which fixed interest-bearing capital would be costly, and the retention of large reserves somewhat wasteful.

(d) **Outside Liabilities** :—Coming to outside liabilities, the most important are trade credits which are on the increase. Most co-operatives dealing in agricultural requirements have a fluctuating balance of unpaid account to manufacturers and whole-salers which contributes to the financing of the co-operative. The cost of trade credit is not easy to ascertain as it varies from commodity tocommodity. For the larger co-operatives there is little risk of falling into the

15 at the rate of 3 delegates from each of the five Regional Committees elected by the Agricultural Co-operatives. (Of these one must be a member of a requirements society, one belonging to a marketing society and one who is a Manager or Secretary.

9 Persons appointed by the Council of the N. F. U. as representatives of the N. F. U. Development Company.

3 Co-opted members.)

27

The S. A. O. S. has a Council of 36 members elected by the General Meeting. Thirteen of these places are reserved for representatives of various other bodies as a condition of a Government grant received by the S. A. O. S. The W. A. O. S. has a small Council with 16 members including the President and Treasurer, 12 representatives of member-societies, one representative of individual members and one co-opted. The U.O.A.S. has a Committee consisting of the President, representatives of societies of six counties, one representative for each 50 societies in the county, two representatives of individual members and up to three co-options.

3. **Executive Committees** :—A. C. C. A. and A. O. S. have smaller executive committees elected by their Councils from among their own members. In A. C. C. A., eight places are reserved for delegates of the Regional Committees and four for representatives of the N. F. U. Development Co. The W. A. O. S. has one Executive Committee consisting of the Council plus four co-opted members. The Central Organizations have made provision for representation of the Farmers' Organizations and other bodies interested in agriculture. The A. C. C. A. has a structural link with the N. F. U. while the S. A. O. S. appoints representative on to its Council. The W. A. O. S. invites representatives to attend in an Advisory Committee at Executive Committee level.

4. **Financing of Federations** :

All Federations are financed by annual subscriptions and by Government grants to some extent.

5. **Objectives of Federations** :

The primary objectives of all these Federations are to represent their member-societies and to provide them with certain services. But there are certain differences between the way in which each Federation visualises its own purpose and carries it

out. These differences are indicated by describing the four Organizations in the paragraphs that follow.

(A) A. C. C. A. :

The objects as defined are :

(i) To promote and develop co-operation in agriculture and horticulture.

(ii) To co-ordinate the activities and policy of agricultural co-operatives.

(iii) To provide advisory business and administrative services.

(iv) To Conduct research and dessiminate information.

(v) To co-operate with the N. F. U. in representing the interests of the members of the Association.

(vi) To carry on publicity and educative propaganda.

(vii) To carry on such other activities as will facilitate general objects of the Association.

A. C. C. A was registered in October 1956 and its work in the early years has been only in the planning stage. It will concern itself with the secretarial services required by the Association itself and by U. K. Co-operative Wool Federation. Another field of activity will be liaison with outside bodies, Government Departments, the N. F. U., the Federation of Agricultural Co-operatives, the C. W. S., the Trade Associations and Marketing Boards. Other activities will include research, education, statistics, publishing and public relations as well as liaison with and assistance to the existing societies and formation of new ones.

(B) W. A. O. S. :

The functions of the Association were:

(i) To provide a centre of service and assistance to any group of people in any area.

(ii) To enable such group to plan, organize and incorporate themselves into working units.

(iii) To tender, advice and approach old and new organizations on current matters and development.

The W.A.O.S. keeps in touch with established societies and acts as Secretary to several small societies, and specialized federations. It supplies forms and circulars to larger societies and thus assists them in their office work. Educational activities of the Association include the organization of short training courses for employees and holding of conferences for Managers and Chair-

men. The Accountant of the Associations visits the societies and advises them on suitable system of accounting and its operation. It also publishes a Year Book. The most interesting feature of the work of the Association lies in the successful way in which it has brought about an integration of the Welsh societies as a national movement.

(C) **The S. A. O. S.** :

The functions of this Organization are :

(i) To represent, advise and provide opportunities for mutual consideration to the larger societies in the good farming areas.

(ii) To act as a promotional body for any type of co-operative enterprises with a view to raising the living standards in the crofting areas.

(iii) To act as teachers of the principles and methods of co-operation as applicable to farming, horticulture, market gardening and allied industries. The work of the S.A.O.S. is to be distinguished from that of its sister institutions in that it lays greater emphasis on field work and that is why a greater number of its staff are working as regional or area officers. An area officer has to convert farmers to co-operation by approaching individual farmers at their farms, and by addressing public meetings. He has to keep in touch with existing societies and this may mean sometime taking over the place of a manager of a society who is temporarily absent. He has also to assist in the formation of new societies in the crofting areas. The S.A.O.S. also provides centralized information and advisory services. The administrative staff of the S.A.O.S. consists of a secretary, assistant secretary, administrative officer and seven area officers.

(D) **The U. A. O. S.** :

This is a much smaller body than its sister organizations. It is highly representative of the Ulster movement, though it is a small-sized institution. Its functions are to act in an advisory and educational capacity, to carry on propaganda designed to promote the formation of local societies, and to assist in the advancement of the existing societies. The organization sees to it that the general meetings of new and existing societies are attended and provides advisory services and looks to all matters relating to the Registrar of Friendly Societies, such as amendments to rules etc. Secretarial services are provided for a number of societies

and associations and circulars and forms made available, when required. It keeps in touch with auditors of different societies with regard to official returns, income-tax matters and so on. In the educational field the Association renders important service in that it issues a monthly bulletin, keeping the members of the managing committees of societies duly apprised of co-operative developments.

(E) **Agricultural Co-operative Managers' Association** :

It is an unregistered body that was set up in 1936. Membership is open to Managers in service and Managing Secretaries of Agricultural Co-operatives registered under the Industrial and Provident Societies Act. Its jurisdiction extends over the United Kingdom, which is divided into four English Regions, two Welsh and one Scottish Region. Each Regional Office has a Chairman and a Secretary and a set of its own rules for the conduct of business. The main functions of the Association are to provide opportunities for discussion of managerial problems, to take concerted action, wherever necessary, to dessiminate information to members and to represent the managerial aspect of agricultural co-operatives to other bodies. It is represented on various agricultural trade associations. It also provides through a liaison committee the link with C.W.S. The A.C.M.A. does not maintain any full-time staff. The Horace Plunkett Foundation has been supplying secretarial services and a London Office.

(F) **The Horace Plunkett Foundation** :

The Horace Plunkett Foundation is concerned with co-operative research and creation of co-operative literature and is international in its scope. The Foundation is a Company limited by guarantee governed by a Board of Trustees numbering 15. It was initiated in 1919 by the late Sir Hoarce Plunkett. Sir Horace believed that the prosperity of the rural community depended not only on the greater efficiency in the methods of farming but also on the economic organization of the farming industry. For this purpose development of good social life was essential. Sir Horace was convinced that there should be greater facilities for the study of the principles of agricultural and industrial co-operation. The main sources of income of the Foundation are :

(i) Income from the Trust Fund donated by Sir Horace Plunkett.

(ii) Annual subscriptions from Associate-members, (individuals and organisations) throughout the world.

(iii) Government grants from the Development Commission and Colonial Welfare and Development Fund.

(iv) Sale of Publications.

The work of the Foundation falls into four main categories:

(1) Library and Information Service.

(2) Research and Publications.

(3) Administration and

(4) Education.

(1) **The Library and Information Service** :

The Foundation has a very good library which has stocked about 13000 books, pamphlets, periodicals in 20 languages covering every aspect of the co-operative movement. Enquiries are being addressed from all over the world and they are answered by the staff. The Foundation has been issuing a Year Book of Agricultural Co-operation which contains articles on co-operative subjects contributed by experienced co-operators all over the world, and it is practically a survey of International Co-operative Developments. A number of authoritative books on agricultural co-operation have been written by the staff and particularly credit goes to Dr. Miss Margaret Digby and Mrs. Sheila Gorst. Publications written by the staff are published by the Foundation and in some cases other Publishers. The Foundation also issues 'Occasional Papers' which numbered 17 by 1959, and there are monographs also on special aspects of co-operation. Administrative work done by the Foundation includes secretarial services on behalf of the A. C. M. A. and the T. A. C. The work of administering the training course for co-operative staffs has also been added recently. The Foundation is also represented on a number of official and non-official national and international bodies. All the six organizations which are described above and the Co-operative Committee of the N. F. U. are all members of the Federation of Agricultural Co-operation in Great Britain.

The Federation of Agricultural Co-operatioh in Great Britain.

The Federation was registered as a Friendly Society in 1949. Each affiliated organization has a right to nominate two representatives and these representatives constitute the membership of the Federation. The Board of Management consists

of all members and that is also the Education Committee composed of representatives of affiliated organizations. The primary functions of the Federation are :

(1) To represent the agricultural co-operative movement in the U. K.

(2) To provide opportunities for mutual consultation and coordination of the work of the affiliated societies.

(3) To run the business training course for the co-operative staff.

From what is described in the foregoing pages, the reader will have seen that a strong and integrated system of Federal Organization has been in vogue in the U. K. as well as an overall Federation which represents and co-ordinates the work of all those bodies in the U. K. The diagram given at the end of this Chapter will give an idea of this structure. The only gap in comparison with other countries is the absence of commodity federations except in the case of wool.

SECTION VII

Membership-Relations and Training of Staff

There are no two opinions about the fact that the English farmers join co-operatives only for business reasons, that is to say, for getting bonus, quality service and obtaining competitive prices. For a great majority the co-operative is regarded as good as any other business firm. It is true that a substantial number of farmers are members of agricultural co-operatives. But they lack loyalty to it. The degree of membership participation—investing money in the society, attending its meetings, doing greater amount of business with it—is rather low. Two things are suggested as solvents of this situation : One is to increase the business efficiency and the other to improve membership relations. These two are of course complementary to each other. In order to secure uniform and loyal membership, more business efficiency is not enough. It has already been mentioned that some of the larger multi-purpose societies are evolving methods of interesting farmers in the administration of their societies. At general meetings societies try to stimulate members' discussion on information and interesting annual reports. A speaker from a central organization also addresses members on co-operative matters and a guest-speaker may give light talk on farm topics.

Such measures may of course increase members' participation and bring about their democratic management. But the problem of the larger societies with distant members is more difficult. Several societies hold informal local members' meetings, but this alone does not ensure their democratic management. The internal organization of a large multi-purpose society has already been referred to. All local and sub-committee meetings are attended by the General Manager, Secretary and by the Chairman and the Vice-Chairman and reports of their work go before the Managing Committees. Another line of approach is the issue of attractive publications and provision of services to members. Various forms of publicity and propaganda are resorted to by many societies. Federeral publicity is a new development and about hundred societies have jointly financed a 'prestige' publicity series of announcements in the farming press. Works tours and demonstrations are another method of awakening members' interest. New projects may be addressed to members and opening ceremonies arrangid. Branches may have open days when members and non-members may be invited to come and may form small discussion groups led by a member of the staff. Parties of members are invited to visit the society's installations and see demonstrations. A short talk may also be arranged explaining why the society was formed and how it proposes to work. In the case of a demonstration of egg-grading and packing, members come to know why their eggs were rejected. Visits, farm walks, film shows may also be undertaken by societies in company with large compounders for other suppliers. In order to improve membership relations and secure new members, societies may subscribe to local ploughing matches, machinery demonstrations and flower shows, and where exhibitions are arranged at country agricultural shows, prizes may be offered. Young Farmers' clubs are another source of finding new members. Societies may give annual grants in order to enable one or two young farmers to make study tours, make lectures available to them at their own cost and make societies' premises available for club meetings. Such general social help has been found to be more effective than direct educational approach through films and shows. No society can undertake all these activities and services and some of them undertake a very few. It may be noted that one aspect of membership relations is unavoidable and that is, cordial re-

lations should subsist between members and the staff of societies. In order to ensure this the General Manager of a society devotes some time of his to visiting members and maintaining regular contacts with committees, branch offices etc. In a few of the larger societies, a Special Public Relations Officer has been appointed. His duties include advertising and publicity and issue of a quarterly magazine. Technical advisers are appointed to assist members in solving specific farming problems. The Sales Manager may visit all the markets in the area with a view to promoting contacts between members and the Management. It is apparent that membership relations depend to a great extent on the attitudes and technical or professional knowledge of the Sales Representative and other members of the staff of a Co-operative with whom the farmer comes into contact. In order to enable the staff to carry out their responsibilities, employees are encouraged to attend senior schools and to take correspondence courses and evening classes. Regular staff meetings are held and farm walks are also arranged. The alert society can keep itself in touch with country agricultural colleges where much useful information can be had showing how to behave in their dealings with farmers. Technical education for members of the staff of a society is easily available and the more progressive societies make full use of the facilities provided by local education authorities and such bodies as the National Institute of Agricultural Botany and the Institute of Corn and Agricultural Merchants. But until recently no regular training courses designed to be useful to agricultural co-operatives were instituted. In 1954, the Ministry of Agriculture made available a grant from the U. S. Economic Aid for a course of training in management of staffs of agricultural co-operatives. The grant was utilized in providing correspondence courses supplemented by short residential schools. Responsibility for future courses was assumed by the Federation of Agricultural Co-operatives. For correspondence course, subjects offered are :—

(a) Principles and development of agricultural co-operation.

(b) Composite course touching on personal management, cost accounting, transport, work measurement and incentives, and statistics.

(c) Office organization and method.

(d) Agricultural Co-operative Finance.

(e) Law for agricultural co-operatives.

(f) Economics with special reference to the price mechanism and the marketing of agricultural produce.

(g) Works organization and method.

(h) Principles of management.

(i) Basic agriculture.

Text books are supplied on loan and can be returned by the students at the end of the course or bought at a reduced price. Subject courses consist of twelve lessons with six examination papers. The residential schools (lasting for one week) include seminars on the above subjects led by the tutors, visits to agricultural co-operatives, farm walks and film displays and talks by guest-lecturers. Students who complete courses in six subjects (which must include principles and development of agricultural co-operation and basic agriculture) and who have attended at least one residential school qualify for an agricultural co-operative diploma. The student takes three years to complete the diploma. First year students normally take ' agricultural co-peration' and either ' basic agriculture ' or ' office organization ' or ' selected introductory studies in management '. Basic agriculture is compulsory for the Diploma, though it need not be taken necessarily in the first year only. The residential school is also compulsory as it increases the enthusiasm of students and brings their knowledge into perspective. The course has been modified from time to time in the light of experience gained in the few years of its operation under the Ministry of Agriculture and by the views of Managers and students. Senior members of the staff can offer single subjects without attending the residential school. The course is, however, intended as professional training for junior executive staff. The institution of this training course has very important results, as it is a recent development. If the problem of the English Agricultural Co-operative Movement is to make the existing members conscious of co-operative principles, so as to enable them to take responsibility within their societies and put more trade through them, it is necessary that the staff of co-operatives who come into contact with most members are technically efficient.

SECTION VIII

Agricultural Co-operation in Wales

Wales is a land of mountains with a wet climate. Holdings are small and remote from markets. In the process of farming

mutual help has always been practised in Wales which is a good basis for the more formal kind of co-operetion. In 1902, Sir Horace Plunkett made a tour of Wales and a Welsh delegation visited Ireland. These two events marked the beginnings of the Co-operative Movement in Wales. Development of the Welsh Co-operative Movement was in requirements society. Most of them worked on a small scale to suit the isolated areas. Some egg and poultry societies, a few dairies and a wool society followed. There was also a mushroom growth of dairy and other marketing societies which collapsed after the World War I, when the conditions which had brought them into being changed. The W. A.O.S. had started its work at a difficult time. The slump of 1922 had caught many Welsh societies and the stock bought at higher prices could only be sold at a loss. The collapse of the agricultural wholesale society had involved many in serious financial losses, and the W. A. O. S. itself was working with small resources and could be kept going only by financial contribution from its President, and Carmarthan Society, and the readinesss to put in honoray service by its secretary. The W. A. O. S. has its headquarters at Aberystwyth, which is also the seat of the University College of Wales. A department of Agricultural Economics had been opened under Prof. A. W. Ashby. In 1926 a Joint Committee was set up through the efforts of Prof. Ashby and it was agreed that the W. A. O. S. should make an annual grant of £ 300 to the College,and the Department of Agricultural Economics should take over all the economic and advisory work. The W. A. O. S. was concerned itself with collection of fees, registration of new societies and dissolution of those that had proved unsuccessful. The real progress of Welsh Agricultural Co-operation could be traced to early 1930's. The societies supplying agricultural requisites are the largest single group with 45 societies having 44000 members and sales of nearly £ 8.6 million. They had a paid-up share capital of £ 5,61,561, the largest society—the Carmarthan Farmers—had a turnover of £ 12,50,000. There are also societies having a turnover of below £ 20000. Before the World War II, these societies were mere feeding-stuff shops, but during the War the importance of fertilisers and seeds increased, and though these staple requirements are still predominant business, many are expanding their activities and widening their services, so as to become multi-purpose societies. They are supplying a greater variety of farm requisites, though they

have not won agencies for supplying machinery. They are also marketing the members' produce.

2. Marketing Societies :—The number of marketing societies stood at 27 at the end of 1955 with a membership of 9469 and a paid-up share capital of £ 2,66,020, and annual sales amounting to £ 30, 44,845. Marketing of eggs and poultry has developed rather late in Wales. At the end of World War II, only two societies had packing stations. At present there are seven egg-packing stations and the eighth controls a station through a company. The large society—the Wales Egg and Poultry Producers Ltd.—had in 1956 a turnover of more than £ 500,000; the packing stations are considering plans for joint sales. A group of five livestock stations are giving a limited service by providing premises for auctioneers. Livestock marketing received a fillip on account of decontrol in 1954. In a number of districts, local co-operative associations were set up to take over slaughter-houses. These were handed over to Fat-stock Corporation, when it was set up with the exception of one. A notable development in co-operation was that in Merioneth, a Farmers' Committee could acquire the business of a firm of auctioneers which carried on the marts at four towns. It had substantial business in farm sales and sheep sales as well. An arrangement has been entered into with the Fat Stock Corporation whereunder stocks are accepted on a live weight basis for grading at Mart Centres on special days. There is still considerable scope for co-operative development in livestock marketing. As regards wool-marketing in Wales, there is only one co-operative 'A' merchant in Wales for the Scottish English and Welsh wool-growers with its headquarters at Paisley in Scotland. It has two Welsh Depots in charge of a regional committee and a sub-committee. The Welsh Committee appoints one Director. This Society is carrying on a campaign with the assistance of the W. A. O. S. to encourage wool-growers to market through the Society. There were ten seed-growers' societies mostly found in the early years of the World War II. They had a total membership of about 1250. A Federal Cleaning and Marketing Society—Dyfed seeds—was set up in 1944 by a number of Associations producing herbage seeds and by several of the requirements societies. A Welsh Seed-Growers' Federation was formed in 1943 to represent the interests of seed-growing and marketing societies in Wales and the W. A. O. S. provides secretarial services for

the Federation and also for some of the smaller societies. Co-operative marketing has helped in developing the skill and technique of seed-growing in Wales, but there are certain problems to face. The market for cereal seeds declined with the derationing of feeding stuffs in 1953. There is a growing market for seed potatoes and herbage seeds, but prices are fluctuating. There are two major groups of service societies in Wales-Grass-drying Societies and Woodland Societies. There were in all five specialized grass-drying societies and they have shown a steady decline in recent years. Thus the four wood-land societies the oldest of them—Dovey Wood—lands—was formed in 1948. It has full-time secretarial assistance given to it and it operates three separate labour gangs, each with its trained foreman. All the Societies provide woodland planting and maintenance service and market timber. It is necessary for such societies to cover a sufficient acreage in order to provide sufficient work and turnover to meet the cost of management. A minimum turnover is necessary to meet overheads on a long-term basis, as it is likely that the work would be reduced after a few years of operation. Several societies have extended their services beyond the areas originally fixed, the aim being to provide a co-operative woodland service throughout Wales. Services to woodland owners include clearing, fencing, draining, planting, maintenance and marketing. A woodland societies' Federation has been formed recently. It serves as a link between them and acts as a clearing house of information for Managers, and also assists in bringing about joint action in marketing their produce. An unregistered Land Improvement Society with a membership of graziers has successfully operated a bracken eradication scheme and has brought about improvement in grazing. The two co-operative farming societies that are established by the Welsh Land Settlement Association are co-opertive only to the extent that workers work on the farm and share in the profits through bonus on wages. The co-operative farm is being financed by Government and naturally its policy is controlled by Government. Welsh Agricultural Co-operation is in a stage of development. There is a great scope still for co-operative marketing of eggs, poultry and livestock so that it would be in course of time as important as co-operative supply.

SECTION IX

Agricultural Co-operation in Northern Ireland.

Northern Ireland is a country of small family farms engaged in dairying with poultry and pig-keeping. The I. A. O. S. (Irish Agricultural Organization Society) was responsible for promoting co-operation in undivided Ireland. The chief development was in creameries. Milk was received by the creameries and converted into butter for export to England, the skim milk being used for rearing of cows and pigs. In 1922, the country was divided politically into the Irish Free State (later Republic of Ireland) and Northern Ireland. The I. A. O.S., receiving grants from the former, could no longer spend monies outside its own area. That is why it became necessary to set up the Ulster A. O. S. with offices in Belfast, which took over the Northern staff of the I. A. O. S. and assumed responsibility for agricultural co-operation in the six counties. There were at that time 78 creameries with a turnover of about £ 1 million and 50 agricultural societies with a turnover of just under £ 5 millions. Aggregate membership amounted to 24456 including a certain amount of duplication. In the days of horse transport, milk could be collected from a limited area and there was no winter-milk production. In these circumstances, the operations of creameries were small and uneconomic and they worked only for two or three days in a week. There were two classes of creameries—the auxiliary and central. The former merely received milk and separated cream, paying the farmer on the basis of butter-fat content, and the latter not only received milk from farmers in the neighbourhood but also cream from auxiliaries and converted the same into butter and in some cases cream was directly sold to the consumer. In 1942 the Ministry of Agriculture acting as agent for the British Ministry of Food introduced a Milk Concentration Scheme which was worked initially through co-operatives, but later seven milk depots were set up and licensed the building up of several private milk factories with the result that all the creameries went out of business except ten. Capital losses were avoided by the payment of annual care and maintenance allowance spread over a period of ten years by the Ministry. Nine out of ten had a wholesale butter trade and they kept going by purchasing bulk milk supplies from the Ministry. These creameries reconstituted their premises and installed pasteurising plants capable of handling

entire supply of milk received. Seven undertook bottling plant. Thus the ten creameries, together with large private concerns and the Belfast Industrial Co-operative became the sources of supply of pasteured bottled milk to the consumers in the whole of Northern Ireland, and the co-operatives handled 20% of the total supply. In 1955 a Milk Marketing Board was formed for Northern Ireland which became the sole buyer of milk thenceforth, and the creameries had to buy the milk through the Board. A new development was, the Ballyrushane Co-operative Creamery introduced a pilot scheme of bulk farm milk collection service under which the farmers having substantial milk supply were assisted in installing insulated milk-holding tanks. A milk tanker goes round daily and makes collection from each farm. Such schemes were also in operatoin by the Milk Marketing Board in England and Scotland, but the experiments of the Ballyrushane Creamery is the only co-operative venture in the U. K. Turning to agricultural co-operative societies, it may be noted that they had also their own problems to tackle. They were seriously affected by the slump of the early twenties and many were forced into liquidation, and only 13 survived. They are general purposes societies selling farm requirements and marketing oats, eggs, potatoes etc. and the remainder are either creameries with an Agricultural Requirements Department or Creameries that have taken to supply and marketing. Their combined sales amounted to £ 22,00,000. The Cloughmiles Society having a turnover of £ 300,000, is the largest , and it was originally started as a poultry society, and it still does a large trade in eggs. The society has secured a licence for both seed and ware-potatoes and has developed a considerable trade in seed with Mediterranean countries. Its main business is in feeding stuffs for which it has milling, grinding and mixing plant. It deals in feedling stuffs, fertilizers and groceries direct to the farm. Many of the largest societies in Ulster handled trade in eggs, agricultural requirements, groceries, and sometime bread also. Some have agencies for light machinery and petroleum products. There are few others that are developing machinery-controlling, distributing fertilisers and lime and undertaking weed-killing and other services. The Ulster wood-growers is the only specialized insititution in marketing. When the British Wool Marketing Board was established in 1951, it was decided that there should be two 'A' licenced merchants to act as the Agents of the Board. In 1952 the area of the wool-growers

included the whole of Ulster and nearly 50 per cent of the total wool production was collected, graded and paid for by the Society acting on behalf of the Board. The total wool-production of Ulster is over £ 2 million and there are over 12000 registered wool-producers. Co-operatives have not been active in livestock trade. Three flax-scutching co-operatives were also operating but on a diminishing scale. As regards the capital structure of societies in Northern Ireland, it may be stated that they are under-capitalized, and that is why they were running on trade credits which ranged from 33 to 50% of the capital handled. Individual share-holding was low. The U. A. O. S. has continued to guide the movement. The grants made by the Ministry of Agriculture are small and for sometime they ceased altogether. The Society's survival is due to the devotion of its small staff and loyalty of its members, who have borne the financial responsibilities themselves for their central organization. The sub-joined statement shows statistics relating to the working of societies in Ulster at the end of 1955.

Type of Societiess	No. of Societies	No. of Members	Share Capital	Turnover
			£	£
Agricultural (multi-purpose)	15	4,627	71,948	1,969,836
Dairies (with farm milk intake)	13	2,147	98,044	3,616,861
Dairies (milk products and farm requirements)	6	1,632	19,405	334,027
Wool	1	932	7,847	301,737
Livestock auction mart...	1	100	122	5,747
Total ...	36	9,438	197,366	6,228,208

SECTION X

Agricultural Co-operation in Scotland.

Rural and Geographical Background:—A large proportion of the population of Scotland is engaged in farming but the area covering good farms is small. The mountainous regions in the highlands and along the lowland border are fit for sheep farms and cattle ranches. But in the highlands, the agricultural unit is the croft comprising a few acres of arable or improved pastures with access to a good deal of farmland along the east coast from Berwik to Aberdeen in the central lowlands and in the dairying regionos. In

Shetland most of women are knitters. Communications in the North of Scoltand and the Islands are slow and uncertain in winter. All this implies that agricultural co-operation is functioning under different conditions and is trying to solve different problems from those of England or Wales. The first Agricultural Society was established in Leith in 1884 under the title of " Farmers' Supply Association, Limited ". It was a society of large farmers and its object was to purchase seed, feed and fertilizers on an agency basis. It was only in 1905 that an agricultural organization society was formed at Edinburgh. The Society set about organizing supply societies in the arable counties, creameries in the south-west and small general purpose societies in the highlands and islands. By 1909, the number of societies stood at 48, excluding the Farmers' Supply Association, having about 4800 members and a turnover of just over £ 100,000. The Scottish Agricultural Movement was supported from the very beginning by the Scottish National Farmers' Union, which had a representative on the Committee of S. A. O. S. It had also the support of the Scottish Chamber of Agriculture and the Scottish Farm Servants' Union. There was a steady progress of the co-operative movement and by 1920 the number of societies rose to 109 with just over 10,000 members and a turnover of more than £ 100,000. 50% of this turnover was in dairy produce and less than half of the remaining in requirements, and most of the remainder in eggs. The slump of 1921 had no serious repercussions on dairies and egg-marketing co-operatives as their operating margins were safe even when the farmers received lower prices. There was no Scottish Wholesale Society and most of the requirements societies worked on an agency basis. In the south-west of Scotland, the dairies were selling liquid milk and wholesale cream on the Glasgow market, and converting the surplus milk into cheese, butter, icecream and confectionery. In 1931, there were 29 co-operative dairies with sales of over £ 900 000. Though individually strong, the dairies were far from either controlling the supply in South Scotland or fixing the prices. Collective bargaining over prices was being carried on by the creameries, the Scottish N. F. U. and the distributors, and in 1927 the S. A. O. S. organized the Scottish Milk Agency, the object of which was to sell as much liquid milk on the industrial market as possible at reasonable prices and to use the creameries to process the balance. The membership of the Agency rose rapidly, with an increase in the

volume of milk handled. It was rather difficult to expand the liquid market and the Agency had much more milk on hand for the less remunerative manufacture of other products. Some of the individuals and the creameries that had not joined the Agency were getting good prices without sharing any responsibility for the surplus. In such a situation, the Agricultural Marketing Act of 1931 was passed. This stimulated the demand for a similar Board for Scotland. In 1933 the Scottish Milk Marketing Board was established with its area extending over Southern and Central Scotland—the area supplying milk to Edinburgh and Glasgow, Marketing Boards on a small scale supply milk to Aberdeen and Inverness. With the establishment of these Boards, co-operative dairies have lost their importance, but the Marketing Boards in Scotland were co-operative in their origin and drew their supplies from Co-operative Creameries built up by the voluntary efforts of farmers. Another development was the re-registration of an existing Auction Mart as an Industrial and Prudential Society. This organization, (Aberdeen and Northern Marts) has the largest turnover of any agricultural co-operative in the United Kingdom. The subjoined table gives the statistics relating to agricultural co-operatives in Scotland at the end of 1954.

No. of Societies.	71
No. of Members.	36051
Share capital paid up	£ 6,54,249
Turnover :	
(a) *Requirements* :	
(i) Feeding stuffs.	£ 21,49,714
(ii) Fertilisers.	£ 15,93,502
(iii) Seeds.	£ 1,18,702
(iv) Implements.	£ 34,102
Total (a)...	£ 38,96,020
(b) *Marketing* :	
(i) Eggs and Poultry.	£ 45,84,102
(ii) Wool.	£ 18,36,464
(iii) Potatoes.	£ 75,996
(iv) Grains.	£ 6,21,664
(v) Livestock.	£ 137,49,337
Total (b)...	£ 2,08,67,563
(c) *Services* :	£ 49,056
Grand total...	£ 2,48,12,639

By 1956 there were 70 agricultural co-operatives in Scotland with a membership of 32000 and nearly £ 30 million sales. Amongst these, the largest group numerically are the supply societies, though this is not true as to economic importance. In Scotland the movement is primarily a marketing movement. The bulk of supply business in Scotland is done by three large societies. Of these three big societies, the North-Eastern Society with its headquarters in Aberdeen has an exceptionally wide area. It does also a certain amount of inter-society trade supplying small societies with its own compound feeding stuffs and fertilisers. Its turnover of business in 1956 was about £ 2 million. The other large Scottish Society—the Central Farmers—has turnover of about £ 1 million. In Scotland the farmer gets his compound fertilizer at an economic price, and receives a general bonus, while the Society makes a modest profit. The third large Society operating in Scotland is West Cumberland, which covers the whole of South Scotland with 12 branches and a number of depots. In 1956 it took over a large agricultural merchants' business. The Society is building up a supply service over the whole of its area. There is also a Poultry Packing Station at Dumfries. Grain and potatoes are also marketed. In addition to the three big societies doing supply work, there are also a number of very small societies in the highlands and islands and they are doing useful work. They supply farmers with fertilizers, seeds and other materials, but many of them are agencies only. The crofter supply agency was formed in 1941 to take over supply business from the S.A.O.S. The terms of its membership are nominal i. e., individual shareholding is of only 1 Shilling. Crofters group themselves and make bulk purchases through the agency on cash-and-carry basis, or cash-with-order terms. Because of its scattered membership all over the highlands and islands it is next to impossible to elect a Managing Committee at a General Meeting, and hence the Committee is elected by the Consultative Council of the S.A.O.S. About 3800 crofters purchase through the agency. Among the marketing co-operatives, the four stock-auction marts have the largest turnover. The Aberdeen and Northern Marts is the largest in this group. In 1956. it had a membership of 5400 and turnover of approximately £ 17.5 million. It has Central Marts in Aberdeen, 12 Branch Marts and a large Egg-Packing Station. It handles marketing of store-cattle in the North-East and about 25% of total fat-

stock sales. It auctions sheep, pigs, poultry and egg-packing. In addition, it has an Estate Department conducting sales of property, furniture, agricultural machinery. Apart from the Livestock Auction Marts, there is a Meat-marketing Society and a small Bacon Factory in Wigtownshire. The Meat-marketing Society,—Buchan Meat Products—is a new venture and is set up with a view to give the producers of high quality fat-stock, a better return than they used to get before. It encourages the production of the super-quality beast. The turnover of this Society is about £ 1 million. The next most important group are the egg-marketing societies with a turnover of £ 3 to £ 4 million, and a certain amount of trade in agricultural and domestic requirements. These societies handle about half the total Scottish eggs passing through packing stations,. Scottish co-operatives have to face the problem of marketing because a greater portion of egg-production is concentrated in areas far removed from the consuming centres. Further, Scotland has to depend on English markets for at least 10 per cent of its egg-production. Plans for the development of egg-packing stations in the distant crofting areas were under way so that the crofters may have access to the minimum prices guaranteed by Government. A number of egg-marketing societies have expanded their activities so as to include the marketing of table poultry. Many are adopting improved methods of handling and better grading of carcasses. Wool is the third commodity handled by co-operative marketing societies. A single society—the Scottish, English and Welsh wool-growers—handles about 14% of the total Scottish clip, and has two branches in England and in Wales. In 1955 the Society adopted its present name in order to get recognition for its activities in England and Wales. It has also adopted new rules under which the constitution of its Board of Directors was altered. The former Council of Management was superseded by a series of Regional Committees. The Regional Centres each elect a director or directors to represent them on the Central Board. Before the War, the Scottish Wool growers sold wool direct to the manufactures by private treaty and the main trade was for export. At present all wool produced must be sold through the Wool Marketing Board which sells all wool by public auction. In Scotland, the wool, on arrival at the authorized merchant's warehouse, is prepared for inspection by the appraisers of the Wool Marketing Board, while in the rest

of the United Kingdom the authorised merchant himself grades and appraises the wool. The S.E.W. Woolgrowers does not restrict its operations to purchasing wool from the producers on behalf of the Marketing Board, but it also buys wool at the Board's public auction, to supply wool purchased or processed to manufacturers. The services of the S.E.W. Wool-growers include handling of wool under the Board, advice as to wool qualities and the preparation of wool for market, and supply of farm requirements inclusive of sheep-dip, marking fluid, sheep-shears, feeding stuffs, manures, lime, seeds etc. As a supplier of wool to manufacturers it has buyers operating at every auction sale in the United Kingdom and also a fully trained staff of graders, sorters etc. Modern machinery has also been installed for machining, willeying, scouring, drying, pre-packing wool. The Society has good export markets and a number of agents are maintained in foreign countries. The wool-producers in Scotland have an assured market for their produce in the Wool-Marketing Board and S.W.E. Wool-growers does not act merely as the agent of the Marketing Board. But it also suplies wool to manufacturers—which is the major source of profit and of farmer-member's bonus. Since the freedom of choice of merchants has been conceded by the Wool Board, many producers have gone over to the Society from private merchants. The Society had a turnover of £ 2 million in 1955. Other Marketing Societies include farm marketing societies and a soft-fruit growers' society. The latter has a small factory making jams and sweets and it was also instrumental in creating a Loan Fund for the use of landowners to enable them to enter fruit industry. In 1955 a new organization was registered to administer a Fund of £ 10,000 made available from the Development Fund, with powers to lend to approved smallholders of land in the area up to £ 300 each for the purpose of planting fruit trees on their holdings. There are 5 grass-drying societies among the service group. Two societies do some grinding, compounding and cubing of grains and feeding-stuffs to the specification of members. Other service societies include a chick-hatchery, stock breeding societies, transport societies, a mill and a threshing society. A lobster marketing scheme for the Hebrides is also operated by the Crofter Supply Agency, with provision of salt-water transit tank facilities at Oban. Rural handicrafts co-operatives have also been recently organized in the crofting counties.

In Shetland a hand-knitters' Association has been formed. A novel development has been the formation of Highlands and Islands Film Guild which provides mobile film units showing good films. The Guild has now become an integral part of the pattern of life in the crofting areas and the total annual audiences exceed a quarter of a million. The S.A.O.S. provides a centralised accounting service for use by the smaller societies in the crofting counties. Its regional officers pay more attention to assisting these small societies. In 1955 a Crofting Commission was appointed by the Secretary of State for Scotland and this Commission has recommended the development of co-operation among crofters and the work of the S.A.O.S. is likly to be of more importance with the evolution of the plans of the Commission. Agriculturally speaking, Scotland is not one country but really two countries. In the lowland region of fair-sized and prosperous farms, the current trend is towards formation of the larger co-operative Unit. The bulk of co-operative business is done by five large Units—3 multi-purpose societies, a Livestock Auction Mart and a Wool Society—plus a group of egg-packing stations. In the crofting areas, the larger unit is not suitable. In this region the need for greater co-operative effort is felt because farming is precarious. It is because of proper guidance provided by the S.A.O.S. co-operation has taken root in this area.

SECTION XI

The Future of Agricultural Co-operation in the United Kingdom

The foregoing pages have given an account of agricultural co-operation as it has developed in the United Kingdom. During a period of decade since 1949, its progress is found to be rapid and diverse. It has obviously achieved strength and stability, but it is far from being the principal agent carrying on the farmer's business. Looking from the standpoint of its quantitative progress, trade handled on the requirements and marketing side by co-operatives has hardly exceeded 20% of the total trade, though 66% of the farmers were their members. The larger farmers do business on their own without having to resort to a co-operative. They only give a part of their business to the co-operative but they generally shop around using quality and prices of the co-operative as a check on prices. But this does not appear to be a sound policy as the co-operative movement working in the interests

of farmers should really be in a position to impose its own terms on private trade and branch out into new lines and new services. It must cover the whole country and must offer as efficient service as the private agency does. This is what the farmers really require. Now let us consider what are the principal tasks before the co-operative in the next decade. Its principal tasks as may be visualised would be :

(1) **Increase in membership** :

There are still a certain number of non-members in the requirements societies and they must be converted as members. Societies experience no difficulties at present in the matter of devising programmes of capital development which will be valuable not only to the members but also a safe and profitable investment for the Society.

(2) **Extension or Expansion of Business** :

Opportunity must be seized for extension of co-operative services. Some have full equipment, while others are much less well provided, and the number of lines handled also varies. Very few handle machinery because most of the reputed firms of manufacturers are reluctant to grant agencies to co-operatives. Negotiations have in the past failed and direct action is now called for with a view to bringing home to the manufacturers the folly of boycotting farmers' co-operatives. This can only be done by the C. W. S. and the Farmers' Co-operative Movement joining hands with each other in utilising their combined resources into manufacturing certain lines of machinery. But the capital requirements involved would be rather heavy. The C. W .S. does not at present handle agricultural machinery. It could supply more motor vehicles and petroleum products other than lubricants. The various departments of the C. W. S. handling agricultural requirements should be integrated and measures taken for better representation of the Departments in the field, and their distribution throughout the country. Further, it is necessary also that representatives of agricultural co-operatives should be consulted on all agricultural matters because on account of regional elections on the basis of membership, agricultural co-operatives have no chance of electing even one representative.

(3) **Overlapping of Areas** :

In regard to the overlapping of areas comprised in the jurisdiction of some requirements societies, it is felt that there is

the need for tactful negotiations rather then legally binding boundary agreements.

(4) **Co-operative Marketing :**

Co-operative marketing has developed in respect of a few commodities such as grain, wool and eggs and marketing of fruit and vegetables is more localized and specialized. The weakest section of the British Agricultural Co-operative Movement is the handling of livestock and livestock products. If disorder is not to develop in the sphere of co-operative marketing, giving rise to a demand for the establishment of a Marketing Board, in which the farmers will have no voice, a good deal of thinking will have to be done and hard work put in in regard to all aspects of the work involved. What is essential is an agreement amongst all concerned to launch on a planned development of blank areas.

(5) **Food Production :**

One form of activities in which co-operative action is needed in the interest of farmers is food production. The period of dependence on home-grown food and stabilization of prices will be coming to an end soon with the recovery in world food production and the commencement of the era of competition. In order to meet this situation, efficiency in growing and marketing would be required and co-operatives will be called upon to actively assist in this process. If scientific and technical knowledge is to reach the farmers and if the farmers' co-operatives were to be well established in the field, more employees will have to be trained in agricultural chemistry, botany and engineering and animal nutrition.

(6) **Service Societies :**

In regard to service societies, it is obvious that more experiments and study are needed. In the field of co-operative farming, isolated experiments made at present are not typical of farming in general and their success or failure is dependent on the personality of those who form the group. As regards co-operative credit, serious thought is being devoted to develop an efficient system of co-operative credit.

(7) **Recruitment and Training of Staff :**

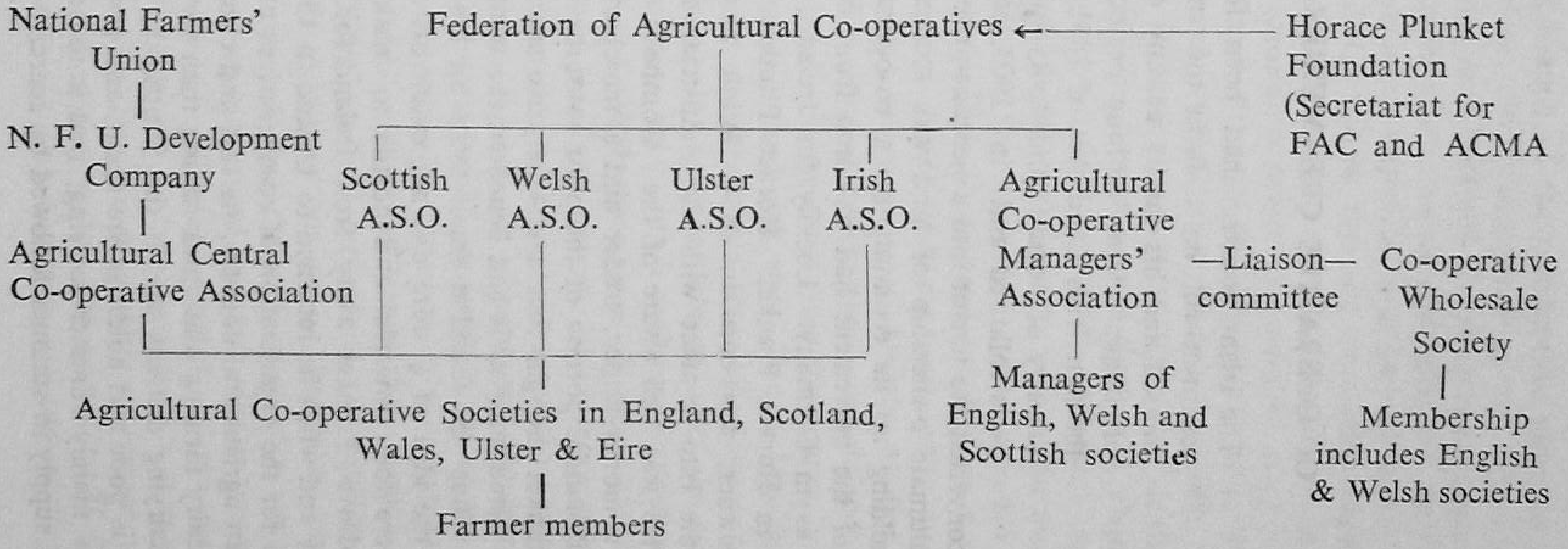
The problem of recruitment and training of staff is common to all societies. Many farmers' societies do business on a considerable scale covering a great range of services. The staffs employed are large and the General Manager cannot have enough

time to train the juniors. After retirement, it is rather difficult to fill his place. Technical colleges, trade institutes and manufacturing firms do provide technical and professional training, but co-operative training—understanding of the aims and ideals of the movement and appreciation of how it differs from the methods followed by the private trade—is not available for the staffs of agricultural co-operatives. Importance of such training to sales representatives who form a liaison between the societies and their members is now being realized gradually. The system of co-operative training initiated in 1954 does to some extent fill this gap affording training only to 50 senior members mainly through the correspondence course. But considering the total strength of staff viz. 11000 employed in 1956, by the agricultural co-operatives, it is obvious that the arrangement is quite inadequate for the purpose. A college on the model of the Loughborough College has not, however, been regarded as practicable. Likewise there are no arrangements made for educating the ordinary member except what he obtains now through his personal contacts with senior members of the staff and the Committee of his society. Many of the younger generation do not give thought as to why they deal with a co-operative society or how it might be developed further to give them more efficient service. This is reflected in thin attendances at general meetings, although people who attend take a keen interest. It should not be entirely left to a General Manager not only to make policy but also to implement it. The ordinary member should be so educated as to feel that the society is as much as his own farm and the success of it must depend entirely upon the degree of intelligent interest taken by him in its affairs. In all these problems affecting the future of the agricultural co-operation the Central Co-operative Association occupies an important place as it represents the largest of the national movements. It has a responsibility to undertake educative propaganda and to represent the co-operative movement before the Public Authorities and the National Farmers' Union (N. F. U.). It has also to handle the difficult question of overlapping and to settle the boundaries of both the progressive and stagnant societies. It is through this body also that planned development of co-operative marketing and services should be carried out. Similarly the planning of the co-operative tree in the deserts should be undertaken. Its approach to the problems of the day are, there-

fore, required to be more realistic and vigorous. The patient and devoted effort of the three agricultural organization societies has been responsible for creating standards of co-operative thought and action for the United Kingdom. The Federation of Agricultural Co-operatives in the British Isles has links with the Farmer's co-operative movements of the Dominions and other countries. For some time conditions favouring the growth and development of the British Agricultural Co-operative Movement were lacking, but these conditions are present in Britain and full advantage has been taken of them. The Movement has now past its first fifty years and is firmly established. It is a growing movement and its internal working with particular reference to multifarious activities of large multi-purpose societies, the relations between members, committees and staffs and training schemes etc. have been described at some length in the foregoing pages.

*DIAGRAM

Structure of the Agricultural Co-operative Movement in the United Kingdom



*Taken from Miss Margaret Digby's Agricultural Co-operative Movement in U. K.

The Irish peasant had been for centuries a tenant-at-will on a farm too small to support himself and his family at any decent standard of living. After a long period of agitation, the first Irish Land Act of 1881 gave himr the security of tenure and fixity of rent. Other Acts followed and in 1903, the Land Purchase Act converted the tenant into a peasant-proprietor. Thus once the ultimate ownership of land was secured, Ireland was ripe for building up its economy on a co-operative basis, and leadership of the movement had to come from outside from an individual, as in Germany. Luckily for Ireland, such a person was found in Horace Plunket. Horace Plunket, the son of an Irish land-owner, was born in 1854. While at the University, he had come into contact with the industrial co-operatives in England. He was well aware of the 'Gombeen man' who was in himself a money-lender, trader and a merchant and who absorbed a substantial portion of the poor resources of the peasant-farmer. Plunket thought that a co-operative store would benefit the peasant community as it had benefited the weavers and miners elsewhere. Thus he found a small store on his father's estate. Unluckily, the idea of a store did not catch on and the trading interests were too powerful and hostile to make it a success. Ill-health drove Plunket away from Ireland for about a period of ten years and when he returned to Ireland in 1889, he launched a campaign for the organization of co-operatives amongst farmers. Ireland is an agricultural country, its soil and climate being more suited for dairy farming and stock-raising than for growing crops. The best dairying districts are in the South. In the North and West, land is poor and holdings are small, and grass-dairying prevails. It is mainly summer-dairying, that is to say, there is abundance of supply in summer followed by scarcity in winter. The

most important branch of the co-operative movement in Ireland has been, therefore, the creamery movement. The first creamery was started in the year 1889 and the mechanical cream separator and the mechanical churn which had been the basis of the co-operative movement in Denmark, also proved useful in Ireland. Owing to Plunket's efforts and the organizing capacity of his friends, a number of co-operative creameries and a few co-operatives of other types came into being. In order to carry on the work of supervision and propaganda, Horace Plunket founded the Irish Agricultural Organization Society in 1894, which was operated in the beginning on a basis of private service and later it functioned with the support of the State. At about the same time, a Department of Agriculture and Technical Instruction in Ireland was established and Horace Plunket became the first administrative head. The Department was intended to supplement the work of the Irish peasant and to train him in the methods of "better farming, better business and better living." The Department, under the guidance of Horace Plunket, did valuable service in the cause of agricultural co-operation in Ireland.

A great political change came over the country in 1922 after six years' of revolution and civil war. The 26 Southern Counties of Ireland became the Irish Free State and later converted into the Irish Republic. In Northern Ireland, after the establishment of the Irish Free State, the I.A.O.S. took on a separate existence as the Ulster A. O. S. In 1929, there were 231 creameries in Southern Ireland, and 64 in Northern Ireland, having average membership of 200 each. A creamery is organized on the basis of limited liability with share capital. It obtains the requisite funds by raising a loan from the local joint-stock banks or the Irish Agricultural Credit Corporation, if necessary. Creameries in Ireland are mainly concerned with better production, though a few sell liquid milk. Three types of creameries are usually met with : (1) the Central Creamery having no branches, receives milk direct from its members and the milk received is tested, weighed and then cream is separated and the skim milk is returned to supplier. Butter is sold in the local market at the local market rate. (2) When there is no adequate local supply, creameries open branches which are provided with equipment to separate the cream and the cream is then transported to H. O. for conversion into butter. These branches are technically known as

skimmeries. (3) Sometimes the skimmeries belong to independent societies also.

During the troubled times preceding the establishment of the Irish Free State, i. e. during the Sinnfein Movement, the creameries in the Free State suffered considerably. Many were burnt by the undisciplined forces of the Crown as reprisals. The Free State Government had, therefore, to devote considerable care to the re-building of the dairy industry. In 1924, State control of butter quality, payment for milk for fat content and a national brand for export were introduced. Efforts to create a central marketing agency for butter proved abortive and there was, in consequence, competition and speculation, in the marketing of butter. The co-operative creameries not only competed amongst themselves but also had to face the competition of the proprietory concerns. In 1927, a public company—the Dairy Disposal Board—was set up with funds to buy out on agreed terms, those private creameries that were competing with co-operative creameries. During a period of four years, the Company took over 53 central creameries with auxiliaries. This number included a few inefficient or badly managed or over-lapping co-operative undertakings. The intention was to transfer all these undertakings gradually to local co-operative management by means of deductions from the payments due to the farmers on account of milk supplied to the supplying farmers. This scheme could only be partially carried out owing to the slump in prices during the economic depression of the 1930's and the collection of 'debt shares' from the milk cheque, was deferred. The fate of creameries in Northern Ireland, after the Partition of Ireland in 1922, was less happy, because the Government of Northern Ireland was indifferent, if not definitely hostile. A number of sound creameries were functioning until the commencement of the World War II, 1939 and some of them had built up contacts with the Belfast Consumers' Co-operative. When the milk marketing scheme came into being in 1934, the position of the manufacturing creameries greatly improved and the sales of the liquid milk were also on the increase. A much less welcome move was, with the support of Government, the establishment, during the War, of a milk drying plant, which had the effect of cutting the supplies of all the existing co-operative creameries. The plea put forward in taking the move was to supply dried

and condensed milk rather than butter to Britain. Compensation was paid no doubt, but the effect was to take their industry out of the hands of the Ulster farmers. The U. A. O. S., however remained in being, and the attention of the Ulster farmers was turned thereafter to the creation of multi-purpose societies or to weave other co-operative activities round a creamery, so as to make good the co-operative business lost to it. Irish creameries undertake two other functions also that are performed by special societies namely supply of agricultural requirements and credit. This is so because attempts to establish credit societies on the German model had not been permanently successful. Also, the supply of requirements by an independent body had also met with difficulties. Again, the Irish farmers were accustomed to buy their other requirements at the same general store where they bought groceries. Thus the sale of agricultural requisites alone proved, except in a few districts, too small a business to found an independent co-operative institution. Thus the creameries undertook multi-purpose functions. They grant loans to members for purchase of cows and other purposes repayable after several months, more usually at the flush season from out of the monthly milk cheque. The amount of the individual loan varies from £ 10 to £ 50. The long-term and medium-term credit requirements of the farmers are being met by the Irish Agricultural Credit Corporation, set up by the State in 1927. Creameries have also been supplying agricultural requisites and other requirements of their members. Credit sales are common and repayments come from the milk cheque due to the members. A few of the creameries sell eggs, poultry and pigs belonging to their members, as there is no central marketing organization, for them. After meeting all expenditure including interest on share capital, the surplus in a creamery is kept as undistributed profit or carried to the reserve.

The following statistics indicate the progress of the co-operative movement of Eire for the two years 1953 and 1954.

From these figures it will be seen that the value of turnover of dairy products was £785.8 thousands less in 1954 than in 1953. This is attributable to the fall in the price which creameries receive for milk for the manufacture of chocolate cream, etc. In other respects the business results of the creameries were reported to be satisfactory. The decrease in the value of the turnover of

	1953	1954	Increase or decrease
	(000 omitted)		
I Creameries:	£	£	£
(a) Dairy Produce	22,559·2	21,773·4	– 785·8
(b) Other Commodities	8,562·9	8,975·3	+ 412·4
II Agricultural Societies	2,410·0	2,588·5	– 373·3
III Miscellaneous Societies	10,932·2	10,069·2	– 863·0

miscellaneous societies is due to the fall in the value of the output of the chocolate and cream factories, and the decline in the turnover of one of the co-operative bacon factoreis. Recent development which is effective in regard to the formation of new societies has been the introduction of the federal system. The opening of the North-Western Cattle Breeding Society in 1956 furnishes an example of the benefits which the federal system confers on the farmers. The object of this society is to extend the service of the artificial insemination to farmers in the North-West Counties. Many societies operating in the area are its members, and they are also being used as sub-centres. The area of operation of the Society is one of the poorest in the country and with a view to popularizing the spread of artificial dissemination the Department of Agriculture made a grant of £ 40,000 available to the new society. In 1956 statistics showed that five co-operative societies were registered for the purpose of arranging the sale of cattle by auctions. The Waterford and the Kelkenny Marts were reported to be working satisfactorily. A joint committee of the Co-operative Cattle Marts has been established to which the Irish Agricultural Organization Society has provided secretarial facilities. The function of this Committee is to arrange, as far as possible, a co-ordinated policy for the Cattle Marts.

III

THE CO-OPERATIVE MOVEMENT IN GERMANY

PART

[I]

Co-operative Credit.—Raiffeisen, Schulz-Delitzsch, and other Systems :—The story of the origin and growth of Co-operative Credit as an organized system or as an institutional credit in Germany is of particular importance to the students of Co-operation in India, as the form of co-operative organization in earlierstages was based on the German model. Germany took the lead in combating usury by starting credit associations under the inspiration of two men—Raiffeisen and Schulz—the former in the main for poor peasants and the latter for artizans and small tradesmen. Born in 1818, Raffeisen first took a military career, but he had to retire from service because of the weakness of his eye-sight. He entered civil service and became a burgomaster of Westerwald in 1845. Here he came into direct contact with the sufferings and miseries of the poor peasants. The District of Westerwald was ravaged by the famine of 1846-47 and the peasants were mercilessly exploited by the moneylenders. Usuary laws, police regulations and other administrative measures had proved abortive in improving the condition of the poor peasants. It did not take a long time for Raiffeisen to discover that the main source of the poor man's helplessness was lack of credit on reasonable terms and that this credit could be dispensed if he could organize himself through self-help to get it. The first society he started was a bakery, which was a boon to the peasants in the Westerwald District. This was soon followed by the formation of a Cattle Purchase Association to supply cattle to the peasants on an instalment basis. It was not until 1862 that the first regular loan society or the village bank was started with a capital of £ 300, at Anheusen in which the fundamental co-operative idea of collective liability of the borrowers themselves was first introduced. The later societies started by him on this principle of unlimited liability came to be known as Village Banks or more appropriately as " Raiffeisen

Banks ". Until 1879, these societies made very slow progress; 22 having been started during the period, they made rapid progress.

2. The essential or fundamental features of the Raiffeisen Society or Village Bank.

(1) Unlimited liability of the members for all debts of the society :—Raiffeisen insisted that every village bank should adopt unlimited liability. When Raiffeisen founded his societies, there was no privilege of limited liability accorded by the law, and Raiffeisen was a convinced advocate of the principle of unlimited liability. It was open to the societies to choose either of the two forms, viz. unlimited liability and unlimited contributory liability. More than 90 per cent. of the societies adopted the former. In a society with unlimited liability members assume liability for the engagements of the society to its creditors directly to the extent of the whole of their property and this liability is individual and joint. In the event of winding-up any deficit in assets to meet the debts is recoverable by a per capita levy upon the members. Proceedings by creditors against individual members were permitted under the law, when after the lapse of three months from the date on which the contributory levy upon members is declared executable, such claims have not been satisfied. If, however, judgment is obtained by a creditor against the member, the latter steps into the shoes of the creditor and he has a right to sue the society for reimbursement of the amount paid by him and on failure of the society he may proceed against any other solvent member or members. The German Act of 1889 introduced another form of unlimited liability known as ' unlimited contributory liability '. Under this form of liability, no direct proceedings against individual members could be taken by creditors. This sort of unlimited liability is only recognized in India in virtue of the decision of the Patna High Court already referred to in Volume I It can be enforced only during the winding up of a society, if there is a deficit in the assets to meet the engagements of a society to its creditors. First the deficit should be made good out of the share capital of members and reserve fund and in cases where they are inadequate, the deficit may be recoverable by a series of per capita levies upon members up to the full extent of their property. There has been a divergence of opinion in India as to the best form of liability suitable for a rural co-operative credit society, and the controversy has been set at rest by giving discretion to the promoters

to adopt either limited or unlimited liability for their credit association, and to the managements of societies to change their form of liability under certain conditions and after compliance with certain formalities prescribed by the law.

(2) **Limitation of the Area of Operation of a Society**:—The area of operation of a Raiffeisen Society is strictly limited. Raiffeisen recommended that rural areas with a minimum population of 400 and up to a maximum of 2000 should be chosen. This limitation of area constitutes one of the essential principles underlying the co-operative credit organization set up by Raiffeisen. It was purposely adopted as it ensures certain benefits. Members are intimately acquainted with each other and know the means and capacity also. A small area of operation is greatly helpful in the selection of proper members and in the proper assessment of credit of members by the management, and ultimately it facilitates the exercise of vigilance over the use to which the amount of loan is put. It is because of these factors that members of a Raiffeisen society become willing to assume unlimited liability.

(3) **How Funds are raised** ? As the Raiffeisen societies were mainly started among poor people, they had no shares at all in the beginning. Shares of small value were introduced later, because of the need to comply with the requirements of the law. No dividend was also paid on the share capital held by members in the early stages, but when payment of dividend began to be made, the maximum was fixed which could not exceed the rate of interest charged on loans.

(4) **Deposits** :—Small savings on the part of members were encouraged and such savings could be deposited with the society. Small amounts of deposits even from non-members within the area of operation of the society were also welcome, but a slightly higher rate of interest was paid on deposits of members.

(5) **Loans** :—Loans were raised also from central or provincial banks or any other commercial banks or individuals who were non-members.

(6) **Reserve Funds** :—Two kinds of reserve funds were built up, one to cover the losses of the society and the other to strengthen its financial position. The latter fund is generally indivisible, even if the society gets dissolved. In such a case it is held in trust for a time until a new society with similar objects is started in the area. If, however, no such society is likely to be started the

amount of the reserve fund is utilized for some work of public utility. Such a reserve fund strengthens the financial stability of the society.

(7) **Credit Policy** :—Three kinds of financial accommodation can be granted to a member : (1) simple loans, (2) loans on current account and (3) loans on property. Loans falling in category No. (2) are rare except in industrial areas. Simple loans on the security of persons or mortgages on land or by way of deposit of collateral security were greatly favoured. Raiffeisen placed great emphasis on character of a borrower, his motto being capitalization of honesty and industry of a man, and he discouraged improvident borrowing. A borrower was required to produce independent testimony, as to his good character. A man may have very good security to pledge, but his application for a loan might be rejected if the management were not satisfied about his industry, honesty and sobriety. This is certainly in contrast to the system followed by Schulze, who was prepared to grant loans on the strength of general business reputation, of a borrower. The average size of individual loan was below R. M. 500. The rate of interest varied from 4 to 5%. The period of repayment of the loan was fixed from 1 to 10 years. Repayments were allowed to be made either in lump or in instalments. The amount of a loan was called in if it was discovered later that the borrower had neglected the property which was offered as security or had lived an extravagant life. The greatest triumph for Raiffeisen was that utmost punctuality in the repayment of loans, was enforced in the Societies started though it was a hard task for him. The third kind of cedit allowed was really an investment in immoveable property. If on account of some unavoidable circumstances, a borrower wanted to sell his property, the society would undertake to pay a reasonable value for such estate, charging a small commission for services thus rendered. If another member of the society wanted to purchase such property, the Bank would grant him a loan to enable him to purchase it, provided the society had surplus funds with it, the main idea being to save the poor peasants in times of difficulty and to keep out the exploiters.

(8) **Management** :—Another feature of the Raiffeisen system is the simplicity and democratic nature of the management of the society. Final authority of the society vests in the general body of members which elects a small executive committee of five or

six persons for a period of four years. There is also a Council of Supervision consisting of three members elected for a period of three years, as a sort of check upon the executive committee. Neither the members of the executive committee nor those of the supervising council get any remuneraton for their service, the principle adopted being gratuitous service. The only person who receives a salary is the cashier or the person who writes up the accounts. A staff of inspectors was also appointed by the Central Office of the Raiffeisen Federation and they examined the accounts of banks at least once in two years.

To sum up, all Raiffeisen societies in Germany present the following features in their working or follow the following principles according to Cahill :—

(1) Limitation of the area to secure personal knowledge.
(2) Low shares.
(3) Permanent individual reserve fund.
(4) Unlimited liability.
(5) Loans only for productive and provident purposes.
(6) Loans only to members.
(7) Credit for relatively long periods repayable in instalments.
(8) Determination every year by the members of each society of—
    (a) the maximum credit of individual members;
    (b) the maximum total of savings deposits receivable;
    (c) the maximum total of loans that may be taken up.
(9) Absence of profit-seeking; dividends, if paid, limited as a maximum to the rate of interest paid by borrowers on loans.
(10) Gratuitous service on the committee.
(11) Promotion of the moral as well as material advancement of members.

II. The Schulze—Delitzsch System—Urban Banks in Germany :—While Raiffeisen devised an organization suited to the needs of the people residing in rural areas, Schulze started an association specifically suited to the economic needs of persons living in urban areas. The first bank which he started was not strictly a co-operative institution, when some of the richer people provided funds to it, in order to help the poorer members. It was only after 1852 that the institution came to be a self-support-

ing one, having its own resources. Schulze—Delitzsch also began his work at about the same time as Raiffeisen did. He entered judicial service at first, but he tendered resignation of the post he held and entered public life. He soon became a member of the Chamber of Deputies where he fought for the rights of the common man. To him goes the credit of having drafted the first Co-operative Law of Prussia in 1867, which later became the Co-operative Law for the whole country. Schulze was also stirred to action by miseries of the poor people residing in urban areas brought about by the famine of 1840's. An association for purchasing raw materials for carpenters and shoemakers was first started by him which was soon followed by the formation of a credit society in 1850. This institution was converted into a self-supporting body later. Thus the Bank started by him came to be known as a 'Peoples Bank'.

2. **Objects** :—These banks were formed for the purpose of supplying credit on reasonable terms to small traders, employees, artisans and other middle-class professional men in towns. Big agriculturists were also not excluded from their operation.

3. **Distinguishing Features** :—The main features which these banks present are :—

(1) The area of operation of a bank is not narrowly limited.

(2) The nominal value of a share is high, varying from £ 5 to £ 50, sometimes reaching even £ 50, but the amounts of shares are payable in small instalments and thus shares afford an incentive to savings.

(3) There is no indivisble reserve, though a reserve is built up by appropriation of profit annually to the extent of 20%.

(4) Advances are usually made for a period of three months in the first instance and are renewable. Repayments are insisted on in lump sum except in the case of cash credits.

(5) High dividends, no limits being fixed on the rate.

(6) Maintenance of a regular office and appointment of two or three paid officials who have seats on the management.

(7) The Council of Supervision meets almost weekly and members of the Councils get remuneration.

(8) Pure banking business only is conducted by the banks.

(9) Though loans are granted on paper for productive purposes, no scrutiny is made into the purposes for which the loans are utilized.

(10) High rate of interest used to be charged on loans in the beginning, but the rates came to be reduced later to 5 or 6%.

(11) Loans could be granted in the form of cash credit, the credit limit being fixed within which the borrower could draw as his needs arose. Advances were also made in lump sums against the security of pro-notes or bills of exchange, which could be easily discounted with a commercial bank.

The Schulze Banks insisted on shares of large value, because the share capital formed the Guarantee Fund to depositors, besides providing the necessary working capital. These banks favoured a wider area of operation, so that they might develop business on a large scale, in order to support the salaried staff. They granted only short-term credits, as their financial resources were derived from short-term deposits. Originally they were started with unlimited liability, but later they came to adopt limited liability.

4. Management :—The affairs of a bank are controlled by the general meeting and day-to-day management of its affairs is entrusted to a board of management of two or three paid officials, who become members after their selection. The work of the Board of Management is supervised by a Council of Supervision. In order to check any abuse of power , by a member of the board of management every act or decision taken by a member must be countersigned by the other two members. The supreme authority vests in the general meeting, as already mentioned, which meets at least once in three months. Schulze did not believe in honorary service, even members of the general meeting getting fees for attendance.

5. Weaknesses or Drawbacks :—The Schulze Banks, despite their popularity and success, present certain weaknesses. The humbler classes of people are generally excluded owing to the need for subscribing to a share of high value. The absence of scrutiny into the uses to which loans are put is a departure from the co-operative principle. The commission allowed to the directors according to the amount of business done opens up an opportunity to them for encouraging risky business. Sir Fredrick Nicholson,

after careful investigation of the work done by these banks, came to the conclusion that they did not reach the smaller people and also were not strictly co-operative, because of the shortness of the period of the loan, large area of operation, absence of control over the use to which a loan was put, absence of educative influence on the borrower and pursuit of high dividends.,

6. **Differences between the Schulze—Delitzsch and the Raiffeisen Systems** :—Both Raiffeisen and Schulze were in favour of establishing a co-operative credit organization, for the purpose of improving the economic condition of the poorer classes of people by encouraging the cultivation of thrift and other virtues amongst them. But the environmental differences and the different methods followed by them in the attainment of their objectives are responsible for certain fundamental differences between the two systems. Thus the Schulze system stands contrasted with the Raiffeisen system in matters shown on next page.

III. Dr. Haas Co-operative Organization :—Side by side with the two systems of co-operative organization referred to above, a host of miscellaneous organizations sprang up in the country. Many of these societies were formed on the Raiffeisen pattern but they did not owe allegiance to Raiffeisen principles. Of such societies the most important was the General Federation of Agricultural Co-operative Societies formed in 1890 with its head office at Darmstadt. These were led by Dr. William Haas who formed his first agricultural society in 1872. Dr. Haas was a favourite of the German official circles at the time. The Associations started by him included mutual trading as well as banking, but in cases where trade was large enough or could cover a number of villages, a separate trading society was established for it. In founding these organizations as a distinct entity, from the two organizations, mentioned above the aim of Dr. Haas was to unite the advantages of both the systems into his organization, avoiding the extreme orthodoxy of the Raiffeisen system, while restraining the tendencies towards commercialization of the Schulze system. The liability of a Haas society was limited but the shares bore proportionate liability as a sort of compromise between limited and unlimited liability. Thus the holder of a share was responsible in addition to the amount of his share for a fixed amount equivalent to twice the amount of shares held by him. The affairs of a Haas society were managed by Managing Committee as in the case of a

Matters in respect of which differences arise	Raiffeisen System	Schulze System
(1) Area of Operation	The area of operation is strictly limited and hence members are in a position to know each other and to exercise moral control over each other's dealings. Hence they become willing to adopt unlimited liability.	The area of operation is extensive and there is, therefore, no mutual knowledge and watchfulness among members. Schulze was reluctant to limit the area of operation of a bank to any specified area. Every bank was, therefere, free to choose any area for extension of its services. As a corollary, they adopt limited liability.
(2) Membership	Membership was confined to agriculturists or farmers in rural areas belonging to the same class and Raiffeisen thought only of rural classes.	Nor did Schulze like to confine the membership of a bank to any specific class or occupation. Hence the membership of a Schulze bank is varied, comprising people of different trades and professions. Schulze aimed at providing credit for all classes particularly tradesmen and artisans.
(3) Thrift	Each system is based on self-help and thrift. Raiffeisen encouraged thrift and self-help as a basis of credit and placed the interests of borrowers in the forefront and allowed no dividends, and thus preserving intact the co-operative idea of mutual help. Raiffeisen deprecated dependence on outside capital for the requirements of the members of his societies.	Schulze also recognized thrift and self-help as the chief factors in credit, but Schulze fostered thrift and savings by rewarding them with such rate of dividend as to place the interests of borrowers in conflict with those of lenders. Schulze also did not encourage the societies to depend on outside asistance for their requirements.
(4) Share Capital	Shares are of low denomination.	Shares are of high value.
(5) Borrowing Limits	Maximum borrowing limit is fixed with reference to the meterial assets of the members.	Borrowing limit is fixed with reference to the share capital of a society.

Matters in respect of which differences airse	Raiffeisen System	Schulze System
(6) Purpose and Period of Loans	Loans are given for longer periods, with facilities for repayment in instalments and they are given for productive and provident purposes. Application of the loan for the purpose for which it is granted is watched.	Loans are given for short periods only and are repayable in lump. Loans are given for productive purposes on paper, but their employment is not watched.
(7) Rate of Dividend	Profits are not allowed to be distributed and all profits are carried to the reserve fund. In cases where profits are allowed to be distributed, the rate of dividend fixed is low.	High rate of dividend is given.
(8) Reserve Fund	There is an indivisible reserve fund which is kept intact even after dissolution.	There is no such indivisible reserve fund, though 20% of the net profits is carried to the reserve fund.
(9) Business Activities	Supplementary activities such as supply of agricultural requisites and domestic articles and sales of produce of members, are encouraged.	Schulze bank confined its activities to pure banking business.
(10) Gratuitous Service	Honorary service is a rule except in the case of office-bearers like a treasurer or an accountant.	Schulze banks do not believe in honorary service. Because of considerable turnover of business, expert paid management is deemed to be essential. Hence salaries are paid to Directors and even attendance fees are paid to members of the general meeting.
(11) Social and moral advancement of members	Raiffeisen aimed not only at the material benefits of societies but placed more emphasis on the moral and educative results of a co-operative credit society and the general social welfare of the members.	Schulze laid more emphasis on the business aspects of the bank, and he cared more for the material well-being of members than their moral or social welfare.

Raiffeisen society, together with a Council of Supervision. As will be seen later, the Haas societies also had a central bank and a central society for supply and sale, while the Raiffeisen system had for the whole country one central bank with non-credit departments. External supervision was exercised by the regional unions which were affiliated to the Imperial Union of Agricultural Co-operative Societies of Germany. The Provincial Unions were concerned with the audit of the Societies. The Haas system had 24 independent central banks with the Prussian Central Bank serving as an apex bank.

IV. Higher Financing Agencies. (3) **Raiffeisen System** : When a Raiffeisen society is formed , it is affiliated to three co-operative organizations, viz., (1) to a central bank for finance, (2) to a wholesale society for supplies and (3) to a Provincial Union for audit, inspection and control. At Berlin there were two Federations, viz., the Raiffeisen Federation and the Imperial Federation. These were rival organizations, and the former was founded by Raiffeisen in 1877. It embraced 7,192 societies at the end of 1920. The Imperial Federation was founded by Dr. Haas in 1883 and was much larger. At the end of 1920 it included 21,297 societies or two-thirds of all the agricultural co-operative societies in Germany. The main differences between these two organizations were due according to Sir. Malcolm Darling to different opinions held in regard to centralization and State help. The Raiffeisen banking system depended upon a single central bank at Berlin which operated throughout the country through its thirteen branches, while the Imperial Federation system was entirely decentralized and it depended greatly on the Prussian Co-operative Bank with which the Raiffeisen system had nothing to do.

(2) The Raiffeisen Federation insisted on unlimited liability being adopted by all the village banks, while the Imperial Federation allowed the societies affiliated to it more latitude in this respect.

(3) The Raiffeisen Federation favoured the poorest as the members of its affiliated societies, while the Imperial Federation favoured large shares, aiming at the financial strength and stability of its affiliated societies.

The Raiffeisen Central Bank was a source of strength to all the credit societies and acted as an intermediary between the societies and the money market. It was established in 1887 with a capital of £ 250. The rate of dividend payable on shares was

restricted to 3½ per cent and surplus was carried to reserve fund. By 1908 the annual turnover of the business of the central bank and its thirteen branches reached the figure of £ 28,000,000 and 4600 societies were its shareholders. The Imperial Bank of Germany allowed preferential treatment to this central bank in the matter of advances, and this privilege was withdrawn when in 1895 the Prussian Government founded the Prussian State Bank with a capital of £ 250,000 which was subsequently increased to £ 2500,000. The Raiffeisen Central Bank was also greatly benefited by the establishment of the Prussian Central Co-operative Bank. The Raiffeisen Central Bank materially assisted in the establishment of co-operative supply societies which enabled the farmers to purchase agricultural implements, foodstuffs, manures, seeds, etc.

(2) **The Prussian Central Co-operative Bank** :—The object of this Bank was to extend credit facilities at a very low rate of interest to small producers and farmers. It was established in 1895 by the Prussian Government, as it was found that the co-operative credit societies had not been able to meet the reasonable needs of small people. It confined its activities to farmers' societies, as the Schulze banks were self-supporting and did not depend upon outside help for their requirements. The agricultural co-operative credit movement in Germany was adversely affected by the inflation that followed in the wake of the World War I. The loss of purchasing power of the German currency had landed the societies in a very unsound financial position. When the currency was stabilized, a sort of reorganization of the credit structure had to be undertaken and the weak societies were liquidated including the Raiffeisen Central Bank. The Prussian Bank became, therefore, the National Bank for the Co-operative Movement, especially the agricultural co-operative movement, and the State provided it with additional capital. The Haas, and the Raiffeisen Unions also came to be amalgamated or united into one union for agricultural co-operatives. Thus a banking system with local banks as the basis and provincial banks or regional banks as the intermediary links and the Prussian Central Co-operative Bank as its apex emerged.

(3) **Schulze-Delitzsch Central Organization** :—Schulze was not in favour of societies resorting to finance on a large scale, from outside sources and he always exhorted his followers to seek bank

credit only to the extent of the bare minimum that was necessary and in exceptional circumstances. Still, however, the need for a central financing agency which would act as a balancing centre and a clearing house, was felt and several methods were tried in vain for meeting the needs and requirements of finance. He accordingly started a joint-stock bank, shares in which were mostly held by the Schulze Banks. This institution worked for a time and met with serious losses and succeeded finally in amalgamating with the Dresdner Bank. Thus the Dresdner Bank, one of the five great commerical banks of Germany, became the central bank for the Schulze-Delitzsch organizations.

V. Federations or Unions :—It has already been mentioned that an agricultural society in Germany must affiliate itself to a union or a federation for the purpose of supervision, control and audit. The Schulze banks formed in each province a provincial union (Verband). The Union is not, however, a union of credit societies alone, but it included productive and distributive societies, sale and purchase societies and building societies. Each Provincial Union or Verband is divided into local unions, each having its own committee and its periodical meetings. The sub-union appoints inspectors for the purpose of examining the accounts of member-socities, and such inspection was compulsory under the provisions of the German law passed in 1889. The Government has allowed the sub-unions like the Schulze Unions to make appointment of inspectors.

2. Raiffeisen Federation :—The differences between the Raiffeisen Federation and the Imperial Federation to which the Haas organizations are affiliated, have already been set forth. Though there are no serious fundamental differences between the two, the real obstacle to fusion of the two lay in the number of rival audit unions. When a village society was formed, it was affiliated to the local audit union which was generally, in its turn, affiliated to one or the other of the National Federations at Berlin. The local audit unions were formed throughout Germany and worked as rivals. Sir Malcolm in his book entitled "*Some Aspects of Co-operation in Germany, Italy and Irelannd*" mentions that there were altogether 50 audit unions for agricultural co-operative societies, of which 14 were affiliated to the Raffeisen Federation, 26 to the Imperial Federation and the remaining 10 were independent, being of no importance. Of the two Federations though the

Imperial was the larger, the Raiffeisen Federation was more efficient and better organized. At the end of 1920 its membership comprised 13 local unions, 12 central societies for banking and trade and 72 primary societies of every description, provided they were affiliated to their local unions. Throughout the Raiffeisen organization the first link in the chain was the sub-union. This sub-union had nothing to do with the audit union, which covered a larger area and had widely different functions. Sir M. L. Darling records that every State in Germany is divided up into administrative units which corresponds to those in India. Thus a province of Prussia or a Federal State other than Prussia roughly corresponds to the Commissioner's division, while the Bizirk resembles the Indian district and the Kreis the Sub-Division. It is from the Kreis generally 15 or 20 in number that a sub-divisional union was formed. The main objects of a sub-union were:—

(1) to act as a link between its member societies and the local audit union and to co-ordinate the interests of both;

(2) to develop co-operation in the sub-division;

(3) to solve agricultural problems that arose;

(4) to select a representative to sit on the general committee of the local audit union.

These unions were primarily concerned with audit, control and development and maintained a carefully trained staff of auditors and inspectors for the purpose. Conferences were organized, training classes were held and statistics collected and published. They were similar to the sub-divisional and district branches of the Provincial Co-operative Institutes which had no audit functions. Before the War, they received grants from the Government, but as the Government finances after the War were quite depleted, they had to depend upon their own resources. Each affiliated society was therefore, required to make a contribution which was assessed as under:—

(a) A fixed fee, irrespective of the size of the society.

(b) A percentage payment on turnover and sometimes on profit.

(c) An audit charge varying with the length of the period of audit.

VI. Structural and Functional Changes :

As a result of inflation that followed in the wake of the World War I, the credit sector of the co-operative movement in Germany

received a rude shock. In order to meet demand for loans primary credit societies depended upon provincial banks which, in their turn, sought financial assistance from the Prussian Central Bank. The Prussian Bank itself was unable to provide the requisite funds and the State itself had to go to its assistance. When the German currency was stabilized, co-operative societies suffered considerable losses which had to be made good in a large measure by the State and the whole of the co-operative movement had to be reorganized. The weaker institutions including the Central Raiffeisen Bank was liquidated and the Prussian Central Bank came to be reorganized as the National Bank for Agricultural Co-operatives. By 1930, the position of the agricultural co-operative movement improved considerably, but in 1933 the Nazis came to power under Adolf Hitler and the adoption of a policy of National Socialism by them was responsible for a change in their attitude towards the co-operative movement. Under National Socialism all the economic activities were controlled by the State and the control of the State over the co-operative movement came to be tightened, and co-operatives were called upon to implement State policies, though they were permitted to carry on their business according to their own regulations. A new law was passed under which farmers were prohibited from offering their land as security for mortgage and thus they were obliged to borrow on their personal security only. This naturally assisted the co-operative credit system inasmuch as commercial banks and private credit agencies were reluctant to make loans to the farmers on personal security. The farmers were also obliged to look to the co-operative credit societies or banks more and more. These institutions were permitted to undertake certain marketing activities as a result of which their membership increased to a great extent. Whatever developments in the co-operative field took place, they were entirely subject to State control and supervision. The co-operative movement under the Nazi regime lost its autonomy, and passed into the hands of a State Department. The State appointed directors on the Management Bodies of the Central and Provincial Institutions and the system of election was done away with. The State also appointed its own nominees on the Boards of these Institutions. Both the business and the policy of co-operatives came to be dictated by a State Department. The World War II had already its devastating effects on the co-operative move-

ment, and with the downfall of the Nazis in the spring of 1945 there was another political upheaval. The country came to be divided into two Zones by the victors–the Western Zone and the Eastern Zone. These came under the political control of two different powers with different ideologies. In the Eástern part or the Soviet Zone the co-operative movement has developed on the Russian model, while in the Western portion occupied by the Allies which forms the West-German Federal Republic, the co-operative movement has been built from its ashes, once again on democratic lines. In the paragraphs that follow an account is given of the vicissitudes that the societies had to pass through and of the measures that were taken to rehabilitate them in the area known as the West German Federal Republic.

(2) **Structure of the Co-operative Movement** : (vide diagram appended at the end).

After the collapse of the Nazi regime, and the currency reform of 1948, followed by the establishment of a free market, the co-operative movement came to occupy a more or less stable position, and the viability of co-operatives has been once again established. At the end of 1950, there were in West Germany 23,600 local agricultural co-operatives with about 32 million members. The Agricultural Credit Co-operatives had 1.5 million members drawn not only from the agricultural population but also from craftsmen, tradesmen, labourers, officers and members of the liberal professions. All co-operatives are affiliated to 12 Unions. Under the co-operative law every co-operative must belong to a Union which is held responsible for the audit of the accounts of each affiliate. In all common matters the Unions also represent the societies and advise them. The German Raiffeisen Union which replaced the former National Union of German agricultural co-operatives is the apex institution which supports the twelve regional audit unions in all matters. There are intermediary agencies both for finance and supply and sale work of affiliated societies. There are 12 central co-operative banks that undertake money and credit transactions of societies, while thirteen regional supply and marketing centrals provide fertilisers, feed, pesticides, coal and machinery and undertake the marketing of grain and potatoes. In addition, the twenty Regional Dairy and Egg Centrals, the eleven Regional Livestock Centrals, six Regional Wine Centrals and eighteen other Regional Centrals

including five Fruit and Vegetable processing centrals—all deal exclusively with particular product they handle. They are independednt co-operative central organizations closely associated with the Audit Unions, in whose area they are formed. At the top the Raffeisen Union is brought into closer contact with the non-agricultural co-operative unions for craftsmen and traders, consumers and housing co-operatives through the free Committee of German Co-operative Union for consideration of common matters affecting the co-operative movement as a whole. There were ten National Central Organizations handling (1) milk, fat and eggs, (2) livestock, (3) grain, (4) wine, (5) fertilizers, (6) seed imports, (7) and (8) mortgage work (two institutions), (9) insurance, and (10) publications. The following statistics indicate the numerical strength of the co-operative movement at the base :

Types of Societies		No. of Societies
(1) Local Credit Societies.		11,074
(2) Local Service Societies.		2,328
(a) Threshing	741	
(b) Electricity	431	
(c) Others.	1,156	
(3) Local Commodity Societies		9,772
(a) Supply and Marketing	2,541	
(b) Dairies	5,580	
(c) Livestock	310	
(d) Wine	533	
(e) Eggs	112	
(f) Others	692	
	Total	23,174

The 11000 and odd local credit societies form the single largest group among the 23000 and odd agricultural co-operatives of the Raiffeisen organization.

3. Local Credit Societies :

Most of these are small village multi-purpose societies doing both banking and non-banking business. They vary in size and organization according to the social and economic

conditions obtaining in different parts of the country. They undertake the supply of agricultural requirements and arrange sale of produce of their members. Many also provide machinery and services such as threshing and seed-cleaning. Their management is gratuitous. Both the Council of Supervision and the Managing Committee members give their services free. The Manager or Secretary—who is generally a local person—works on a part-time basis on small remuneration. These are the societies organized at first by Raiffeisen himself. The primary object of the local credit society is to meet the credit needs of its members. The credit granted is normally short-term and medium-term. As regards long-term funds, the Raiffeisen organization owns two mortgage banks specializing in long-term agricultural credit. Under the German Co-operative Law, credit societies can grant credit only to their members, the reason underlying the restriction being that the borrowers should undertake the joint liability of all members for any losses incurred by the society. Local credit societies obtain their funds in the form of current, savings and fixed deposits from any one. They supplement their funds by borrowings from the regional central banks and the German Co-operative Bank, which obtain medium and long term loans from outside sources, in addition to deposits of all kinds derived from co-operative credit organizations. Non-banking agricultural co-operatives deposit their surplus funds with the local and regional co-operative banks. Of the 11,000 societies nearly 50% were credit societies designated as "loan and thrift societies". At the end of 1950, the aggregate amount of deposits held by them was estimated at D. M. 1600 million of which D. M. 1221 million were members' savings and other deposits. If the deposits amounting to D. M. 572 million of the 12 central banks were added to this figure, the deposits of the credit sector alone would account for 66% of the total resources of the agricultural movement. By the middle of 1952 deposits with credit societies had risen to D. M. 1548 million. A further D. M. 122 million of deposits, kept with the Central Bank by depositors other than affiliated societies brought the aggregate of deposits to D. M. 1700 million. Savings deposits amounted to D. M. 830 million, by the middle of 1952. Out of D. M. 1700 million distributed over 3.8 million savings accounts many of which belonged to non-members who use the village societies as savings banks. This figure may be

regarded as considerable, if we take into account the fact that savings deposits had shown declining tendency after the currency reform. It may be noted that in certain parts of Western Germany the prevailing type of local credit society is a fair-sized bank serving several villages and run by a fully qualified professional Manager. In the same area there is also a supply and marketing co-operative managed independently of the Bank. The urbanised country areas favour the development of larger specialised credit societies often with strong membership of traders. At the end of 1953 more than half the number of local credit societies had deposits under £ 9000 and some 3200 had deposits ranging from £ 9000 to £ 3000. There were 356 societies having £ 90000 as deposits. These Banks adopted limited liability. How the societies came to invest their surplus funds in Government Securities is as follows :

Under the system of War finance encouraged by the Nazis, the incomes, of many people rose without corresponding outlets for expenditure of the excess purchasing power on account of scarcity of goods. Thus funds flowed into the banks from year to year and these went to strengthen the State through the issue of bonds. The agricultural credit societies and banks had no remunerative outlets into credit business and about 20% of their liquid funds were invested in State Bonds. About 75% were invested as deposits with the central banks, which in their turn invested about 50% of their liquid funds in State Bonds, transferring the remaining balance of 50% to the German Bank (National Central Bank). The apex institution for want of profitable outlets in its legitimate business invested nearly 80% of its liquid funds in State paper. Thus at the end of 1945 nearly 80% of the deposits of the West German Loan and Savings Banks were locked up in State securities. Though the cover was inadequate from a banking point of view, there was no incentive for the withdrawal of deposits until the currency reform. The currency reform substituted the original Reichsmark by German mark and extinguished all claims of banks upon one another and reduced all other financial claims as also the claims on Government including those relating to Government Securities, as well as cash in circulation to a trivial residuary value. On the day following the currency reform—21st June 1948—the deposits of all the loan and savings banks amounted only to D. M. 787800000 and their general advances

conditions obtaining in different parts of the country. They undertake the supply of agricultural requirements and arrange sale of produce of their members. Many also provide machinery and services such as threshing and seed-cleaning. Their management is gratuitous. Both the Council of Supervision and the Managing Committee members give their services free. The Manager or Secretary—who is generally a local person—works on a part-time basis on small remuneration. These are the societies organized at first by Raiffeisen himself. The primary object of the local credit society is to meet the credit needs of its members. The credit granted is normally short-term and medium-term. As regards long-term funds, the Raiffeisen organization owns two mortgage banks specializing in long-term agricultural credit. Under the German Co-operative Law, credit societies can grant credit only to their members, the reason underlying the restriction being that the borrowers should undertake the joint liability of all members for any losses incurred by the society. Local credit societies obtain their funds in the form of current, savings and fixed deposits from any one. They supplement their funds by borrowings from the regional central banks and the German Co-operative Bank, which obtain medium and long term loans from outside sources, in addition to deposits of all kinds derived from co-operative credit organizations. Non-banking agricultural co-operatives deposit their surplus funds with the local and regional co-operative banks. Of the 11,000 societies nearly 50% were credit societies designated as "loan and thrift societies". At the end of 1950, the aggregate amount of deposits held by them was estimated at D. M. 1600 million of which D. M. 1221 million were members' savings and other deposits. If the deposits amounting to D. M. 572 million of the 12 central banks were added to this figure, the deposits of the credit sector alone would account for 66% of the total resources of the agricultural movement. By the middle of 1952 deposits with credit societies had risen to D. M. 1548 million. A further D. M. 122 million of deposits, kept with the Central Bank by depositors other than affiliated societies brought the aggregate of deposits to D. M. 1700 million. Savings deposits amounted to D. M. 830 million, by the middle of 1952. Out of D. M. 1700 million distributed over 3.8 million savings accounts many of which belonged to non-members who use the village societies as savings banks. This figure may be

regarded as considerable, if we take into account the fact that savings deposits had shown declining tendency after the currency reform. It may be noted that in certain parts of Western Germany the prevailing type of local credit society is a fair-sized bank serving several villages and run by a fully qualified professional Manager. In the same area there is also a supply and marketing co-operative managed independently of the Bank. The urbanised country areas favour the development of larger specialised credit societies often with strong membership of traders. At the end of 1953 more than half the number of local credit societies had deposits under £ 9000 and some 3200 had deposits ranging from £ 9000 to £ 3000. There were 356 societies having £ 90000 as deposits. These Banks adopted limited liability. How the societies came to invest their surplus funds in Government Securities is as follows :

Under the system of War finance encouraged by the Nazis, the incomes, of many people rose without corresponding outlets for expenditure of the excess purchasing power on account of scarcity of goods. Thus funds flowed into the banks from year to year and these went to strengthen the State through the issue of bonds. The agricultural credit societies and banks had no remunerative outlets into credit business and about 20% of their liquid funds were invested in State Bonds. About 75% were invested as deposits with the central banks, which in their turn invested about 50% of their liquid funds in State Bonds, transferring the remaining balance of 50% to the German Bank (National Central Bank). The apex institution for want of profitable outlets in its legitimate business invested nearly 80% of its liquid funds in State paper. Thus at the end of 1945 nearly 80% of the deposits of the West German Loan and Savings Banks were locked up in State securities. Though the cover was inadequate from a banking point of view, there was no incentive for the withdrawal of deposits until the currency reform. The currency reform substituted the original Reichsmark by German mark and extinguished all claims of banks upon one another and reduced all other financial claims as also the claims on Government including those relating to Government Securities, as well as cash in circulation to a trivial residuary value. On the day following the currency reform—21st June 1948—the deposits of all the loan and savings banks amounted only to D. M. 787800000 and their general advances

only to D. M. 16200000 i. e., 1 per cent. of the total loans of the agricultural credit co-operatives for the same area in 1936. By the end of 1950 deposits had again risen to D. M. 122160000 and advances to D. M. 706600000. To the extent that this reduction left the Bank with an adverse balance, they were compensated with "equalization claims" only bearing 3% interest which were not yet redeemable. On account of currency reform the owned capital of the banks was reduced to 10% of its original value. Rural societies were also considerably handicapped by the block of frozen securities allotted to them after the currency reform. During the War there was no demand for funds derived from the deposits of their members and they had to invest them into Government Securities. At the end of the War, therefore, they found themselves in possession of worthless Government paper. Currency reform reduced societies' deposits from R. M. 1500 million to a little less than D. M. 800 million. But their investments were not even equivalent to their obligations. The expression 'Equalization claims' requires some elucidation. At the time of the national collapse, the Raiffeisen Banks found that their resources had been locked up in Government paper (Federal or Provincial) or in deposits with other Banks. As explained earlier, these securities became of no value as a result of the currency reform. But they had to meet their obligations in the proportion fixed by the currency reform, and were, therefore, allocated equalization claims on the newly formed German 'lands'. These claims were not, however, negotiable on the money market, as they represented mere transferrable accounts in the Public Debt Register. There was also no provision for the redemption of these claims which bore 3% interest, while the rate for secured advances remained at 4%. The Banks, therefore, lost 1% whenever they had to obtain advances against equalization claims from the Central Bank of issue in order to meet their own obligations or grant credit. Immediately after the currency reform, 80% of the Bank balances of the Raiffeisen banks were locked up in these claims. A striking legacy of the War period was the high level of securities issued by the Federal and Provincial Governments, of which the share of the local agricultural credit banks was 52% of the total deposits, at the end of 1950. The share of the Central Bank was 48% of the total deposits. After the currency reform, D. M. securities were allotted to credit institutions as compensa-

tion for their worthless securities. As they bore only 3 per cent interest, they were not only unsalable but really were a burden on the liquidity and profitability of the Raiffeisen Banks. To a small extent only, they could be used as security for advances. Like all other banks, Raiffeisen Banks also were obliged under the currency law to hold minimum interest-free resources and the banks were trying to secure relief from these obligations. Thus after the currency reform, the credit societies and banks had to start their business afresh. The business done by the Rural credit societies was considerably less than that of Urban Banks whose business expanded with the recovery of industry and trade. Agricultural production could increase only at a slower rate, and that recovery from the adverse effect of the currency reform was slower still. Another difficulty that confronted them was the liquidation of the Central Co-operative Bank and it was not until 1949 that the new German Bank was started. Thus the agricultural credit societies could give credit to their members who were really in need of loans, and even to do this, they had to raise loans unprofitably on the secruity of their equalization claims. Meantime, things were improving and savings bank deposits were increasing throughout the country and by 1952 the credit societies were in a position to meet the legitimate credit needs of their members. Though there was further consolidation and stabilization of their position, their main difficulty remained, i. e., about 25% of their assets were frozen and locked up in worthless equalization claims. At the end of 1952 the total savings and other deposits with the local and regional credit societies affiliated to the Raiffeisen Federation amounted to £ 239 million, excluding local credit societies' deposits with regional societies. The total of loans made to non-banking clients was £ 188 million at the end of the same period. This was the result of serious efforts made by the Loan and Savings Banks to tap deposits in order to provide a solid basis for their activities despite the competition of the Municipal Savings Deposits raised by the Municipalities which were trying to attract deposits from the rural areas. Various small savings deposit systems were introduced in order to attract young savers. Every household was visited at regular intervals by a Special Collector of Deposits, commissioned for the purpose. Special Savings schemes were also introduced into rural schools. A new scheme was put into force which combined savings with the incentive

of a lottery as a result of which a large number of small savers were recruited.

4. Issue of Loans :

The local credit societies grant credits to all sections of the rural economy in addition to agriculture. About 40% of loans go to farmers, 45% to tradesmen and the rest to salary-earners, labourers and professional men. Since the currency reform short-term loans have accounted for 75% of the volume of credit granted, the remainder being medium-term and long-term. The present restrictions on grant of intermediate-term credit arise on account of 50% of the aggregate savings depoits of these societies, being locked up in equalization claims. Since the currency reform was introduced, capital development has been financed by the short-term credits, as long-term resources are not available. This was due also to the dearth of long-term funds in all banks but after 1951 with the increasing volume of savings deposits, the main difficulty has been the restricted sale of fixed interest-bearing bonds which is the traditional method followed by Germany for raising long-term funds. Moreover, when bonds have been issued, the proceeds have been directed to housing and Government expenditure, with the result that agriculture and trade have been starved of long-term capital. Long-term funds have been utilized mostly in repairing war and post-war damage. The agricultural co-operative credit movement in Germany originated with the formation of the village loan and savings banks run on Raiffeisen principles of unlimited liability and honorary service by the Committee of Management. Raiffeisen model is suited only when a limited area and simple business are the rule, but societies with an area of operation larger than a parish or in need of larger share capital are formed with limited liability, and this is in consonance with the economic development that has taken place and the need for adaptation of co-operative principles to wider purposes. Such societies are largely financed by the share capital of members supplemented by the funds obtained from the financing institutions, secured by a guarantee from members up to a multiple of the shares held by them. Amongst the small farmers, the Raffeisen society has remained a typical one in the simple conditions of rural life. It has fulfilled many economic purposes in addition to those associated with money and credit. It has undertaken the joint purchase

of seed, feed, fertilisers, machinery and implements and has served also as a collecting point for milk going to the creamery. In areas of small farms the village society undertaking functions it can easily carry out has held the field for long, (excluding specialized one for a special society). For, it has the advantage in that it handles all the money affairs of the farmer, collects his milk bill and also the sale proceeds of cattle and makes payment for purchases of feed, fertilisers and sees to it that repayments of loans made to him are duly deducted from the amount coming to its hand on his account. Thus the village society becomes the hub of activities which interest a farmer and serves as a rallying centre for him by serving his needs and promoting his activities as a producer and consumer.

5. Central Financing Agencies :

In all its activities, the village credit society has to be helped by a higher and stronger financial organization. For a few years, following the currency reform the twelve regional central banks of the Raiffeisen credit system found themselves in difficulty in discharging their functions as suppliers of finance. In the first place, they themselves were short of surplus funds with which to meet the financial needs of their affiliates. Secondly, they had to borrow funds from the Central Bank of issue secured on their investments in " equalization claims". Though it would have been easy to negotiate discountable bills, the latter could not be found among the village credit co-operatives, which have mainly to do with farmers, small tradesmen and artisans. With accumulation of deposits at the local level, the regional banks have been able to obtain funds as a result of which their liquid position has improved and along with it their relations also with the local credit societies. The other main function of the regional bank is to extend credits to various types of agricultural co-operatives such as dairies, supply and marketing co-operatives, regional commodity centrals etc. Co-operative agricultural business has been expanding continuously along with the expansion in the volume of cıedit and of deposits. This is confirmed by the following statistics rela ing to the regional central banks. At the end of 1953 regional banks granted credits to the extent of D. M. 74 million, of which D. M. 29.5 went to local credit societies and D. M. 44.5 million to other agricultural co-operatives. The total deposits with the regional banks amounted to D. M. 47

million of which D. M. 33.4 million came from the local societies and D.M. 13.6 million from others. The balance of financial accommodation not covered by deposits was made available by the regionals themselves, borrowing funds mainly by their own acceptances to the extent of D. M. 7.7 million and by debit balances with other banks to the extent of D. M. 9.8 million. Short-term and medium-term advances from the Central Bank of issue on Government securities deposited as security and long-term loans were of the order of D. M. 9.8 million. The regionals held owned capital amounting to D. M. 5.8 million, of which D. M. 4.4 million represented members' credit balances and the rest representing the resources of the regionals.

6. The German Co–operative Bank at Frankfurt :

Since 1st July 1949, the Apex Bank for the Co-operative Credit Movement in Western Germany has been the German Co-operative Bank at Frankfurt. It was set up as a public bank by special Federal Law in 1949. Its object is to promote the co-operative movement in general by acting as a central bank for all types of co-operative institutions. This institution replaced the older German Central Co-operative Bank known as the Prussian Central Bank which was founded in 1895 and which had served the co-operative movement for well over 50 years. It ceased to work at the end of the War. The new German Co-operative Bank is neither a purely co-operative bank nor a governmental institution like its predecessor. It is a public utility Corporation established by law, the resources of which are mainly contributed by agriculture in the conduct of which co-operatives have a preponderent interest. The legal basis of the German Bank is provided by three laws of 4th May 1949. These laws establish not only the German Co-operative Banks to meet the short and medium-term credit needs of the co-operatives but also the Agricultural Fund. The latter meets the needs of non-co-operative agricultural credit. With the consent of the professional representatives of German agriculture, a special tax of 0.15% on agricultural property was introduced leviable for a period of ten years in order to provide the two institutions with the requisite working capital. The basic capital of the German Co-operative Bank consists of loans from the Federal Republic, the Provinces and the Co-operatives. The law prescribes that the investments of the Federal Republic and the Provinces should not exceed 50%

of the foundation capital of the Bank. By October 1951 the basic or foundation capital of the Bank amounted to £ 8,52,000 of which £ 5,45,750 was paid up. It had owned capital of some £ 5.8 million including foundation capital, more than 50% of which was contributed by the co-operatives and the balance by the State. £ 2,50,000 consisted of reserves. £ 5.5 million was allowed to the bank as its share of the proceeds of a special tax imposed on agriculture. Funds so derived are more important than the foundation capital. The annual yield of the special tax is D. M. 120 million. The Co-operative Bank receives up to 50%, viz., D. M. 60 million. At the beginning of 1952 this special capital amounted to £32 million. In addition to the owned capital, the Bank raises short-term and long-term funds from private and public sources. At the end of 1953 the outside capital of this Bank amounted to £ 23.5 million comprising £ 12.2 million long-term, £ 7.3 million short-term and medium-term, £ 4 million deposits. The total volume of credit granted by the Bank amounted to £ 53 million plus £ 11.2 million guaranteed on behalf of co-operatives. This includes long-term loans to the extent of £13.1 million which are mainly and largely fed from the Marshall Aid Counterpart Funds and from other central credit schemes. The Bank also finances the Central Storage of Grains, fats and meat for which purpose it was given £ 9.2 million at the end of 1953. Its agricultural credit activities further extended to financing the Central Purchasing of fertilizers by the Special Raiffeisen National Central Organization, which is called into being for the supply of agricultural requirements of all agricultural co-operatives. Thus a considerable amount of long-term loan funds of the public percolates to the agricultural sector. Thus German agriculture can count upon its own effective organisations in future in the German money and stock markets on equal terms with the general commercial Banks. The German Co-operative Bank is placed under public supervision of a Commissioner nominated by the Federal Government. His duty is to protect the public interest and to see that the business of co-operatives is carried on in accordance with the laws and regulations. The loan policy of the Bank is controlled by the Board of Management which supervises its business in general. The Board of Management includes representatives of the Federal Republic and the Provinces. Representatives of Co-operatives are in a majority on the Board. The Board works under the chairman-

ship of the President of the German Raffeisen Union and the German Farmers' Union. There is also an Executive Committee of three chosen from the Board of Management. It may be noted that the German Co-operative Bank has not at present built sufficient financial strength, not only as a clearing house but also as the apex organization of the Co-operative Movement in Western Germany. Owing to dearth of money few deposits are attracted to it from below, nor does it play an important role as a discounting bank, as the Central Banks are in direct financial relationship with provincial Banks which are responsible for the flow of credit in each Province in consultation with the Bank for the German Provinces. The most important functions of the Bank at present are the channelling of long-term funds for reconstruction purposes from Marshall Aid Counterpart Funds, and making short-term advances on the security of grain, meat, fats and eggs delivered for storage.

7. Long-term Funds through Land Mortgage Banks :

The two land mortgage credit institutions affiliated to the Raiffeisen organisation are : (1) the German Co-operative Land Mortgage Bank at Hamburg and (2) the Bavarian Agricultural Bank. Their object is to supply the co-operative societies with long-term funds. Both make loans for house-building as well as for agricultural purposes. At the end of 1953 they had long-term loans outstanding to the extent of £ 8.5 million covered by the floatation of long-term debentures and commercial bonds. Commercial bonds are covered by loans granted to Municipalities or Communes. Since the currency reform the available long-term funds have been mostly utilized for housing and the Banks had proportionately smaller resources left with them for financing the long-term needs of agriculture, and they had to depend, therefore, on a relatively low scale of allocations from Marshal Aid Counterpart Funds. Funds obtained from the free capital market bear such high rates of interest as to preclude their use for many agricultural purposes. The German Security Market is proposed to be reorganized from 1955 onwards and with its reorganization the two Land Mortgage institutions are likely to get more funds from the capital market, so that the land mortgage business will be financed more adequately, as long-term credits will be available to the agricultural credit banks. It may be noted that the Raiffeisen Organization also includes a group of insurance

undertakings engaged in all forms of insurance business. In 1953 their total premium income amounted to £ 4.6 million and their assets amounted to £ 6.9 million. Their cover funds are mainly in medium-term and long-term funds or made available to agricultural co-operatives and their members in the form of term deposits with the Raiffeisen Credit Banks. There are other agencies as well, apart from the Raiffeisen Rural Credit Societies and their Central organizations, which supply finance to agriculturists and agricultural co-operatives. They are the private and public mortgage banks and the Municipal Savings Banks. There are special Central Credit Organizations such as the Agricultural Credit Bank, the German Land Mortgage Bank and the German Land Settlement Bank, the two latter restricting their operations to the financing of land settlement.

(i) The Agricultural Credit Bank (Landwirtschaftliche Wrenten Bank) is a sister organization of the German Co-operative Bank. After the World War II, Germany witnessed again an unprecedented shortage of capital funds. The Central Agricultural Bank (Deutsch Wrenten Bank Kreditenstalt). would have resumed its activities, as it had survived the World War II. But political considerations intervened and a new institution under the title of Landwirteschaftliche Wrenten Bank was started to serve the Western Zone in 1949 with its headquarters at Frankfurt. Its main objects are to grant credit for agricultural purposes of a non-co-operative nature. Such credits are predominently medium-term especially for the financing of agricultural storage business. As in the case of the German Co-operative Bank, a considerable part of its resources is derived from the special tax imposed on agriculture. It is also permitted to tap funds from the capital market by the issue of bonds up to six times its capital but no issue of bonds can be floated in foreign countries. The yield of the special tax on agriculture made over to the Bank is about D. M. 9 million annually, and it may be noted that the farmers have agreed to this levy of a special tax on agriculture on the condition that the rate of interest charged to the ultimate borrowing agriculturist should not exceed 5% in the case of medium credit and 5½% for long-term credit. As already mentioned, part of the funds is derived from Marshall Aid Counterpart Funds for reconstruction of agricultural economy. The rate of interest on such finance is fixed at 4% for reconstruction of war-damaged

farmsteads, at 5% for medium-term credits to be used for mechanization of farms and at 2% for credits required for amelioration or improvement of all kinds, forestry and rehabilitation of settlers. The Board of Management of the Bank consists of representatives of agricultural interests and also nominees of the State which supervises its affairs.

It should be remembered that the Raiffeisen Banks are the largest agricultural credit agencies. At the end of 1953, their loan outstandings aggregated a total of £ 13 million, 50% being direct farm credit and the balance as credits to agricultural co-operatives. Nearly 60% of farm credits are handled by the Raiffeisen Banks. But long-term credits are not a Raiffeisen liability. West Germany has all along suffered from shortage of long-term funds and the Federal Government is, therefore, taking steps to secure sufficient long-term capital to agriculture for re-construction purposes at as economical rates as possible. Subsidies are therefore, proposed to be granted in case of loans bearing 7% to 9% interest, so that the effective rate to agriculture may not exceed 5% and 4% in the case of special improvement schemes. An amount equivalent to £ 1-1/3 million of subsidies allocated in 1954-55 financial year enabled the grant of £ 25-35 million credits at the cheaper rates referred to above.

8. Agricultural Supply and Sale Organizations :

The organization of co-operative supply and marketing has also been developed and it consists of 13 central supply co-operatives which carry out wholesale functions. The advantages of bulk purchase and sale are reaped by the agriculturists through these societies. Just as the Raffeisen Credit Organization, has its own apex institution, the Central Supply Co-operatives have organized their own institutions under the title of the "German Raiffeisen Supply Centre, Ltd." at Frankfurt-on-Main. One of the functions of the apex organization is to represent all the central supply co-operatives in business transactions with large-scale enterprises of fertilizer industry. With the help of the German Co-operative Bank it has been possible to secure lowering of the rates of interest for agriculture for the supply of fertilizers, thus ensuring a better distribution of fertilizers over the whole country. Central purchasing by the Raiffeisen Centre Ltd. has also been responsible for obtaining favourable conditions for the supply of agricultural machinery. Another central agency formed by the

Central Supply Co-operatives is the Raffeisen Seed Imports Ltd., Hamburg. The Central Supply Co-operatives (13 in number) had a total membership of over 15000 societies inclusive of 9000 credit, 2500 supply and marketing, 2500 dairy and other societies, 91 Corporate Bodies and Clubs and over 1000 individual members. In some districts supply and sale business is also undertaken by credit societies to a greater extent than elsewhere. The turnover of supply and marketing centrals during the year 1950-51 amounted to D. M. 1250 million, the main items being 2.75 million tons of fertilizers valued at D. M. 190 million, 0.57 million tons of feeding stuffs valued at D. M. 174.6 million, 1.45 million tons of grain valued at D. M. 489 million, Machinery and implements valued at D. M. 161 million. The aggregate turnover of goods handled by local supply and sale societies was of the value of D. M. 682 million, the figure for agricultural requirements being D. M. 398 million, of which D. M. 234 million was supplied by the Centrals. Of the aggregate value of produce marketed to the extent of D. M. 284 million, D. M. 110 million was delivered to the centrals. There are also, in addition to supply and marketing co-operatives, marketing and processing societies for different products. The dairy has taken over the technical tasks and the marketing of milk. The Cattle Marketing Society helps the farmer in the disposal of his fat stock. The co-operative egg packing station ensures proper marketing of farm poultry products. Fruit and Vegetable Marketing Co-operatives cater to the requirements of city markets and wine co-operatives arrange the collective processing of small-growers' grapes. Milk production is an important source of income to the farmer in West Germany. Production of milk exceeded 15 million tons in 1951, of which 10 million tons were delivered to the creameries; ou tof a total of 3334 creameries in 1955 in the Federal Republic, as many as 2560 were co-operatives handling 82 per cent of the total milk supply. Part of this supply was derived from milk collecting depots and skimming stations, 3000 of which were co-operative. Out of total of 4600 creameries, co-operative creameries bought 9.3 million tons of milk valued at D. M. 1900 million in 1950. 50% of the supplies received during 1950 were used for production of butter. At the end of 1951 there were 16 central dairies to which 1444 co-operative and 364 proprietory were affiliated. It is through this organization that the flow of milk was

kept uniform between surplus and deficit areas and both got the same quantity. The Central dairies maintain delivery depots and cold stores in major areas of consumption and co-operate with the supply and import authorities in smoothening out the seasonal variations in the production of butter. West Germany produced in 1951, 275000 tons of butter, no less than 112000 tons of which valued at D. M. 616 million were marketed through the central dairies. By the middle of 1952 the number of egg-packing stations in the Federal Republic was 128 with about 100000 members. Only 193 million out of a total production of 5000 million tons are handled yearly by co-operatives. The egg-packing stations handled a considerable turnover of feeding stuffs purchased by their members. They are affiliated to the marketing centres which market large quantities of eggs, purchased from other stations. The Apex Institution of the Dairy and Egg Centrals is the milk, fat and eggs exchange formed in Hamburg in 1948. It also imports foreign butter. There were 300 livestock marketing co-operatives with some hundred thousand members, and an annual turnover of D. M. 185 million for fat stock and D. M. 44 million for dairy-cattle. In addition to these there were 800 thrift and loan societies in Wittenburgh and 200 other societies engaged in livestock marketing. All these societies were affiliated to 11 livestock centrals having sale depots in important markets. In 1951 fat-stock of a total value of D. M. 583 million were handled co-operatively while the turnover of dairy centrals amounted to about D. M. 100 million. There were about 200 societies engaged in the Fruit and Vegetable marketing. About 50 % of them have formed producers' regional wholesale markets in which members' produce is sold by auction according to the Dutch Veiling system. Members are also educated to conform to trade requirements regarding quality, grading and packing with the result that producers are assured of the best market prices. In 1951 co-operatives handled about 30% of the total value of fruit and vegetables reaching the consumer in the markets. They only handled graded produce which had to bear a 4 per cent turnover tax, such produce being alleged to constitute a new commodity. The first society handling grapes of its members was started in 1868. Their number rose to 800. The co-operative share of the wine harvest in 1950 averaged 24% but varied from region to region. The wine co-operatives are affiliated to five wine marketing

centrals. These in turn have formed the wine marketing centre of German Wine Co-operatives at Bonn. The main function of the centre is to promote increased sales of wine at home and abroad.

9. Special Features of Agricultural Co-operation in West Germany:

A noteworthy feature of German co-operatives is the position they hold independent of the State. Within the framework of the law they are free to manage their business as they like. The State has reserved to itself the right of supervision over the affairs of the German Co-operative Bank. The States' right to audit the accounts of co-operatives has been delegated to the Regional Co-operative Federations. The rights of supervision or audit are exercised by the State in order to safeguard the public interest without affecting co-operative economy. The State also assists in the development of co-operation in a number of ways. State-help was received when agricultural co-operation was rationalized at the end of 1920's. It also supported the organization of co-operative marketing and processing societies. It also makes funds available for a number of co-operatives concerned. An obligation to promote co-operation has been written into the Constitution of various Provincial Governments of the Federal Republic. Membership of a co-operative is voluntary as also the affiliation of co-operatives to their centrals and federations. except that a society affiliated to a federation must submit to a regular audit by the Federation authorized for the purpose. The complaint that is sometimes made against co-operatives that they control the market is groundless, since they cannot monopolize the market even where they have a considerable share of marketings. Co-operatives sell 40% of the grain marketed but this cannot enable them to dictate prices. Co-operatives also supply 40% of fertilizer requirements, and this only indicates that they effectively represent farm interests in face of the large-scale fertilizer industry. The dairy co-operatives and their marketing centrals handled about 74% of butter production. Even with this big share of production it may be noted that they were not in a position to manipulate the trade as there were major fluctuations in the price of butter over a period of two years. Livestock marketing co-operatives try to secure for the farmer nothing more than a fair price for his animal. It may be noted that agricultural co-operatives become an integral part of German economy, and they are working in harmony with other groups. A more recent development has been to bring about co-ordination of the activities of the marketing co-operatives and urban co-operative consumers' societies.

CO-OPERATIVE CONSUMERS' MOVEMENT IN WESTREN GERMANY

PART [II]

During the last decade of the 19th century, Germany turned towards co-operation as an instrument of social reform and many consumers' societies were formed by the workers in Saxony. In 1894 the Co-operative Wholesale Society (G. E. G.) was founded at Hamburg. It was supported by a number of consumers' societies in Sexony in which the working class element was predominent. Other sectors of the co-operative movement have organized the General Co-operative Union. In some of the co-operative stores, Schule-delitschz middle class element was strong and they had also joined the German Co-operative Union. Until the year 1901 a number of consumers societies joining the General Union had grown to 638 with a membership of 6,31,000. In 1902 there was open conflict between the progressive group of consumers' societies affiliated to the Wholesale Society and other members of the General Union. At the Congress of the General Union the same year, 98 consumer societies and their wholesale societies were expelled from the Union. In May 1903 representatives of 302 consumers' societies including those that were expelled from the Union and 7 regional auditing unions formed the Central Union of German Consumers Societies at Hamburg. It was known as the G. E. G. 585 societies with a total membership of 440,000 and a total trade of D. M. 440 million were affiliated to the G. E. G. The Central Union at Hamburg functioned as the wholesale stores and it had, besides, varied productive activities. In 1908 another Federation of Consumers Stores was formed with its headquarters at Cologne under the title of the ' Imperial Union '. This Union came to be styled later as " GEPAG ". The progress of consumers societies affiliated to the Central Union G. E. G. was steady during the next two decades. In 1922 membership passed 3 million mark. Many societies built big modern bakeries, meat-processing factories and other productive works. In the first Post-War years, membership

continued to grow, but the sales had declined owing to scarcity of goods and rationing, though the inflated money values had grown to fantastic dimensions. Traders often withheld scarce goods and black market became rampant. The consumers' co-operatives made every effort to maintain a regular supply of essential goods to the consumers and to secure an equitable distribution of the scarce goods among all the members. Thus the confidence of consumers and authorities grew in them and the membership rose to a record figure of 35,05,000 in 1924. With the stabilization of the currency the new R. M. was born and production and supply returned to normal. Many people forgot the services rendered by consumers co-operatives and in 1928, membership of the Central Union Societies declined to 28,03,000. In the following years memberships increased again. The trade of the societies had increased to R. M. 1214.3 million by 1930, and because of the great depression it declined to R. M. 944.2 million by1932—the last year in which the consumer societies enjoyed undisturbed development. On the eve of the economic depression of the 1930's the output of the consumer societies—bakeries, butcheries and other local productive enterprizes—had risen to R. M. 263 million. The balance-sheet total of all societies was R. M. 621.4 million and reserves amounted to R. M. 69.7 million. Owing to unemployment savings deposits had dwindled to R. M. 292.8 million from R. M. 410.9 million in 1931. There were 939 societies affiliated to the Central Union (G. E. G.) in 1932 employing 48000 workers in their 11,000 shops and stores, besides having hundreds of warehouses, bakeries, slaughter-houses and other factories.

2. Reich Union of German Consumers' Societies :—Not all societies affiliated to the General Union had seceded from it in 1902 and gone over to the Central Union (G. E. G.). Up to 1920 the General Union had a consumers section comprising 185 societies with 2,39,000 members and a trade of R. M. 108.5 million in 1919. In 1920 as a result of an agreement reached between the General Union and the Central Union (G. E. G.), these societies were transferred to the Central Union. Thus the outstanding differences between the two Unions had been finally settled and friendly relations established. Even during War-time a free Committee comprising all central co-operative unions representing different seetors of the co-operative movement including agricultural, had been formed for the joint defence of their common interests,

especially in legislation. The Imperial Union of Consumers Societies founded in 1908 was transformed into the Union of Western German Consumers' Societies with headquarters at Cologne and in 1930 it changed its name into Reich Union of German Consumers' Societies. The main recruiting ground for the Reich Union was Rhineland and West Phalia, where the Christian Trade Union Movement was the strongest. Later on, a number of civil servants societies joined the Reich Union. In 1932 the membership of the two Reich Union Societies was 7,58,400 with total sales of R. M. 150.9 million, of which R. M. 20.4 million came from the societies' own production works. Their shops numberd 2419 and they employed 8222 workers. Their Balance-sheet total was R. M. 77.9 million and their share capital and reserves amounted to R. M. 15.8. million. The Reich Union Societies were also adversely affected by the War the inflation and the great economic depression and they too suffered from the onslaught of the Nazi propaganda.

3. The Nazi Regime and After :—The Nazis were the declared enemies of the co-operative consumers' movement. Even before their rise to power, they had attacked the consumers' co-operative movement and its leaders, smashed co-operative shop windows and picketed co-operative shops in some parts of Germany. When they came to power, the uniformed storm-troopers occupied the premises of the Central Co-operative Organizations and of many co-operative societies as well. The leaders of the movement were arrested and sent to concentration camps. All co-operative societies were placed under the Nazi control. The objective of the Nazis was to dissolve the societies and to transfer their business to provide tradesmen who had given them support in their struggle for power. This objective could not, however, be fulfilled because of the hard struggle put up by Henry Everling who could somehow convince Robert Ley—the infamous leader of the Labour Front—that the liquidation of the consumers' co-operative organizations would disrupt the whole of German economy. In 1935 the consumers' co-operative movement received a rude shock by the proclamation of a law relating to co-operative consumers' societies. It provided for the liquidation of about 80 societies with a turnover of R.M. 200 million—a little less than 1/3rd of the total trade of the movement, a membership of 1 million-about 1/3rd of the total-and capital funds of R.M. 200 million—40% of the Balance-sheet total.

The shops of many societies were sold to private traders at ridiculously low prices. The law of 21st May 1935 further provided for the liquidation of consumers' co-operatives' savings departments, thus depriving the societies of valuable sources of finance. And finally, it made the establishment of new societies subject to the approval of the Reich minister of Economy, which meant a ban on creation of new societies. Between 1935 and the outbreak of War, membership of societies began to decline and in 1938 it had fallen below 2 million for the whole Reich. Co-operative retail and wholesale trade too suffered considerably, and the societies ceased to give any advantages to their members over private traders. The Decree of 18th February 1941 on the adaptation of the consumers co-operative enterprises to war conditions dealt a final death-blow to the whole of the consumers' movement. It was issued by the Reich Minister of National Economy in collaboration with the leader of the German Labour Front—Robert Ley. Under the Decree the whole property of the co-operative consumers' societies was transferred to the German Labour Front and the transformation of the co-operative enterprises was ordered into a vast commercial chain store combine controlled by a subsidiary of the German Front. The new system was known as G. W. comprising the German Wholesale Society as well as the Austrian Wholesale Society, an import and export organization, two companies which took over the productive works of the Austrian and German Wholesale Societies, and approximately 135 supply centres which replaced more than 1200 former consumer societies in Germany and Austria and formed the retail section of the G. W. Despite all these measures of the Nazis, in their dealings with the consumers' societies and their central organization, the legal form of co-operative enterprises had not been destroyed but the Decree of 1941 dropped even this legal fiction or pretence and removed every vestige of influence the members might have had in the local and technical matters in the former co-operative societies. The nominal values of shares held by members were refunded, though the real value of property represented by such shares was considerable. Thus indirectly the collective property of the working class man was expropriated. Thus the co-operative consumers' movement came to an end.

4. **Rehabilitation and Reconstruction** :—The new G. W. system was, however, short-lived. With the collapse of the Nazi

regime in 1945 after nearly a period of six years of total War, the Reich ceased to exist, large German areas were torn from the Reich territory and millions of people were driven from their homes. The whole of Germany was occupied by the victors. Western Germany was occupied by the Allies and the Eastern Zone by Soviet Russia. Berlin was sectionalized and normal business came to a standstill. Confidence in the inflated Reich mark broke down and there was distress and hunger everywhere. It was in such chaotic conditons that the consumer's co-operative movement had to be reborn. Some of the old co-operators who had survived the Nazi regime decided to save from the wreckage what could still be saved and to rebuild the democratic structure of the movement. The task ahead bristled with difficulties and the main problem to be faced was the return of co-operative property to their rightful owners, as most of them no longer existed as a co-operative body or could no longer be identified as rightful successors to the former owners. It was necessary to re-establish co-operative societies all over the country—a task which was by no means simple in those chaotic times. The occupation authorities also did not always prove useful to those engaged in the work of reconstructing the co-operative movement, as they put unnecessary and irksome conditions and imposed rigid procedures before permission was accorded to establish societies. For example, the G. E. G. in the earlier stages of its reconstruction was not permitted to contact or help co-operative societies or co-operative workers, thus rendering the task of reconstruction difficult. Despite these difficulties, the task was accomplished. The former property of co-operatives had passed into the hands of Nazis in 1941 and it had become the property of Nazi organization. As such, it came into the possession of the Occupation Authorities. It took some time before the property could be released in favour of the re-established co-operative consumer societies. There was also another difficulty to be overcome. The Nazis had put the whole property of all co-operative organizations into one melting pot--The G. W. It required great patience and skill and a firm hand in determining the just claims and negotiating with all concerned before the problem could be satisfactorily solved. But in the end, a solution was found. Fortunately for the movement, the management and administration of the C. W. S. (G. E. G.) in Hamburg was transferred by the British Occupation authorities to Henry Everling, Gustav

Borgner and Joseph Bodden, three old co-operators of considerable experience in 1945, and they set to the task of reviving the co-operative movement in Hamburg and other parts of Western Germany. Uptil 1948, economic conditions in the Western Zone were abnormal. There were scanty supplies of rationed goods which were below subsistence level for an ordinary consumer and the Reich Mark had disappeared as a medium of exchange. The cigarette which was in scarce supply had largely taken its place. Barter was the normal way of doing business. These practices, however, could not be indulged in by co-operative societies and business was actually at a standstill. Despite these difficulties, a number of societies were formed in the first post-war years, and at the end of 1947 there were 144 societies , in the British Zone, 61 in the American and 33 in the French Zone and one of the urgent tasks of these societies was to increase their membership. At the end 1947 membership in the three Western Zones had reached 4,96,000, of which the British Zone accounted for 3,50,000, the American Zone 1,07,000, and the French Zone 29,000. The combined turnover of the consumer societies and the retail companies of the G. W. (which were later transformed into consumer societies) was R.M. 273 million in 1945, R.M. 359 million in 1946 and R.M. 440 million in 1947. Of the 8400 shops owned by the consumer societies in 1933, many had either been closed or confiscated by the Nazis or even destroyed by bombing during the War. Only about 5000 had remained at the end of the War. At the end of 1947, there were altogether, 5,308 co-operative shops which were virtually either grocery shops or general provision stores. About 100 bakeries and 12 slaughter-houses had either escaped destruction or alienation.

5. **Currency Reform and After** :—The German currency was stabilized and with the creation of Deutsch Mark on 20th June 1948, economic development began once again to be normal. The demoralizing effects of the black market and hunger years were gradually overcome. Prices in 1948 were stabilized at a high level and the purchasing power of the working population was low. The consumers' societies and the G. E. G. had, in the meantime, begun to plan again. Everywhere the co-operatives began to remove the wreckage of the War to repair their damaged premises, factories, warehouses and shops. They also began to rationalize and expand. Many old members returned and many new

members joined the societies. During the transition period of rehabilitation, the consumer societies in the British zone had the benefit of receiving assistance of the Adviser on Co-operation to the British Military Government, Mr. W. P. Watkins. He did everything in his power to help the German co-operators rebuild their movement, to smoothen relations with the Occupation authorities and to prepare the way for reforming the anti-co-operative legislation and to deal with the property problem. The societies in the Western Zone wanted a Central Union of their own independent of the Central Business Organization, which would, in case of need, act as an arbiter when the businness interests of the local societies and those of the wholesale societies would clash. An embryonic National Union on a moderate scale was established in Hamburg as early as 1945 and efforts to expand its jurisdiction in 1946 to the Soviet Zone proved abortive. After the failure of negotiations with the East, efforts were continued to get the Union recognized by the Occupation authorities of the three Western Zones, but there were difficulties to face. The question of reorganization of the National Union was taken up at the First Post-war Co-operative Congress held in Hamburg in March 1947, but it was only at the Second Hamburg Congress in 1948 that the National Union was officially formed and consequently recognized by the Occupation authorities. It soon came to represent the whole of Western Germany. In the meantime, five Regional Unions were organized as auditing Unions so that the normal auditing of the accounts of societies was again guaranteed leading to the stabilization of the co-operative movement. At the end of 1948 there were 259 societies in Western Germany which were working except 15. New members numbering 2,57,000 joined the societies, bringing the total membership to 7,56,000. The number of shops rose to 5,686 of local bakeries to 113 and of slaughter-houses to 16. The total number of workers employed by consumer societies was 25,405 at the end of 1948. Sales totalled D. M. 569 million in 1948. The sub-joined table indicates the progress made for a period of three years ending 1954:

	1949	1950	1951
(1) No. of Consumer Societies.	286	296	303
(2) Membership. ...	10,19,000	13,24,000	16,06,000
(3) Sales in D. M. Million. ...	716.4	843.8	1088.8
(4) Own Production in D. M. Million	121.2	137.1	178.4

	1949	1950	151
(5) No. of shops.	6,114	6,504	6,953
(6) No. of Bakeries. ...	115	120	126
(7) No. of Slaughterhouses. ...	17	18	20
(8) No. of other Production Works.	61	67	73
(9) Persons employed. ...	28,609	32,545	37,112

At the end of 1952 the number of societies rose to 310, with a membership of 18,49,000, and retail outlets rose to the extent of 7,438. Trade aggregated D. M. 1343 million. Persons employed were in the neighbourhood of 43,540. The problem of reconstructing the capital basis of the consumer societies proved rather difficult for three reasons : First, no dividend is paid on share capital, and there is no inducement for a member to subscribe to share capital in cash. Dividend on purchase is generally being diverted to share capital. At least 50% of the dividend must remain with the society until the member holds one fully paid up share. Since the rate of dividend on purchas e never exceeds 3 per cent, accumulation of share capital becomes a slow process. The nominal value of a share varies but the share of D. M. 50 is now considered to be a reasonable sum for accumulation. Secondly, it has already been mentioned that the Nazis abolished the Savings Departments of Consumer Societies, and the main source of finance was thus stopped. The right to accept savings deposits was not, restored to the societies even after the War, and the consumers' movement together with the Trade Union movement created six banks for collective economy, one of the objects being to finance the co-operative developments. It was some time before the banks got going and in the meanwhile. lack of capital made itself severely felt in the societies. Thirdly, a limiting factor to the accumulation of capital is the taxation policy of the Government. Co-operative surpluses, if used for strengthening the reserves, are severely taxed. For, every D. M. 1 allotted to the reserves consumers' societies have to pay approximately D. M. 250 in taxes. The prohibitive effect on formation of capital structure of a taxation system like this can hardly be exaggerated. To all this must be added the complex problem of disentanglement of G. W. finances, and the effects of the currency stabilization, which reduced the liquid reserves to a small per centage of the former values. The equalization of burden tax imposed on refugees from the East and other legacies of the

War complicated the situation still further. At the end of 1950, the sum-total of resources of all the consumers' co-operatives was D. M. 204.2 million, of which share capital was D. M. 12.2 million forming 5.9% of total liabilities. Reserves amounted to D. M. 51.2 million, forming 25.05 % of the total. The amount of the dividend on purchase was D. M. 20.6 million, which was slightly over 10% of the total liabilities. In the next year total resources rose to D. M. 240.2 millions, of which share capital amounted to D. M. 19.8, constituting 8.2% of total liabilities. The reserves stood at D. M. 54.4 million, (22.4%). The amount of dividend on purchase amounted to D. M. 33.1 million. On the assets side 50% of the total resources were invested in real estate and long-term investments. These were covered by the owned capital and long-term resources of societies—60% of the B. S. total. Thus the position of the societies was financially sound and sufficiently liquid.

6. **The working of the G. E. G. (the Wholesale Society) :—** Under the Nazi regime the G. E. G. suffered a good deal but it was able to maintain its identity during the period from 1941 to 1945. Its productive enterprises were cut off from the main body and its import and export activities were transferred to a separate G. W. Organization. Since its legal position was clear, it was possible to start restoring the co-operative character of the G. W. without much delay. The legal form of the G. E. G. is that of a company with limited liability, but it remains co-operative in its organizational structure, its shareholders being co-operative societies only and its trading activities being confined to the co-operative sector on the supply side. A few weeks after the collapse of the Nazi regime, the management of the G. E. G. came to be placed into the hands of good and loyal co-operators. In 1948 a new constitution was given to the G. E. G. by a Constituent Assembly of Shareholders under which the capital structure of the G. E. G. was reorganized and the G. E. G. became a full-fledged co-operative organization again. The main task of the G. E. G. was to re-build and repair the warehouses and factories which were destroyed or damaged by the War. The extent of damage suffered by the G. E. G. was approximately D. M. 30 million and for the whole movement it was estimated at over D.M. 120 million. The General Meeting of Shareholders of the G. E. G. is held once a year. The rules of the G. E. G. provide for two organizations in addition to the General Meeting, the Supervising Council and the Executive

Board of Directors. The Supervising Council meets at least four times a year and collaborates with the Board of Directors in all matters of general importance such as investments, acquisition of real estate and factories. At the end of 1952, the Council consisted of 24 members, of whom 21 represented the co-operative organizations and 3 the workers employed by the G. E. G. In 1952, the Bonn Parliament passed the Law on the constitution of enterprises, providing for a large measure of workers' participation in the management of business enterprises. Under this law, at least one-third of the members of the Supervising Council of all Companies must be representatives of the workers employed, though they need not be members of the staff. The Board of Directors of the G. E. G. (the Executive) consists of six members—the President and five members in charge of various administrative, trade and production departments. Meetings of the Board are held once a week. In addition, the Board of the Central Union and the G. E. G. hold a joint meeting in which all important questions of co-operative policy, organization, finance, production, trade, administration, propaganda and education are discussed. This joint meeting is the day-to-day policy-making organ of the whole co-operative movement. In order to assist the Boards in the matter of evolution of a proper co-operative policy and framing of decisions on matters of principle, a study group of 15 people was ushered into being, comprising officials within the ZdK and G. E. G. which are connected in some way with research work. This working party has given valuable service to the responsible organs in clearing the way for taking important decisions.

7. Business Activities of the G. E. G.:

The following table contains figures showing expansion of the G. E. G. including its subsidiary enterprises after the currency reform.

	1948	1949	1950	1951	1952
Total Trade (in million D. M.)	331.9	367.8	449.0	518.8	731.2
Own Production (D. M.)	77.6	130.4	166.2	231.3	289.0
Employees and Workers (Numbers)	534.4	566.3	636.2	697.7	777.9

At the beginning of 1953 the G. E. G., apart from its Central premises and warehouses, had 32 factories and 9 branches with subsidiary warehouses in different parts of the country. The 32 factories included the following :—

3 Flour Mills—Sales D. M. 52.9 million.
2 Maceroni Factories.—Value D. M. 6.6 million.
1 Samolina and Pudding-powder Factory : D. M. 6.7 million.
1 Factory producing Coffee substitutes—Value D. M. 0.7 million.
1 Vegetable and Fruit Processing Works—Value D. M. 8.5 million.
4 Meat Products Factories—D. M. 49.3 million.
1 Cheese Factory—Value D. M. 10.3 million.
1 Fish-Packing Plant-Value D. M. 3.1 million.
1 Fish-Curing and Processing Works—D. M. 8.5 million.
1 Cocoa and Chocolate Factory—D. M. 19.8 million.
1 Seed-growing Estate and Packing Centre—Value D. M. 0.6 million.
1 Smoking Cigarette and Tobacco Factory plus 3 Cigar Factories—Value D. M. 16.6 million.
2 Wine-cellars and 1 Distillery and Liquor Factory—Value D. M. 21.8 million.
1 Chemical Factory—Value D. M. 5.9 million.
1 Soap Factory—Value D. M. 13.7 million.
1 Scouring Cloth-weaving Plant—Value D. M. 1.2 million.
1 Steelware Factory—Value D. M. 0.7 million.
1 Printing Works and Match Factory—Value D. M. 17 million.

A special feature of the German Co-operative set-up is the existence of purchasing associations which are really regional groups of consumer societies which send their purchasing agents to the selling agencies of the G. E. G. Through these purchasing Agents the G. E. G. maintains close contact with affiliated societies. The transactions effected on the 'purchasing days' are considerable.

8. Auxiliary Enterprises or Subsidiary Concerns :

Closely connected with the co-operative consumers' movement and the Trade Union movement, there are the national or the regional organizations in addition to the wholesale societies. The oldest of these are the insurance societies for life, fire, burglary and similar risks. The oldest Life Insurance Society.—

Volksfursarge—was founded in 1912 and it contributed greatly to the expansion of industrial insurance in Germany. In 1933, its central premises were occupied by Nazi storm troopers, but it was not liquidated. After the collapse of the Nazi regime, it was returned to its rightful owners and its administration was also reorganized. It is one of the most important insurance companies in Germany. The total sum insured passed the D. M. 1 milliard mark in 1952. With almost 3 million persons insured, premium income in 1941 was D. M. 64 million. Its share capital totalled at the end of 1951 D. M. 2.5 million of which the co-operative consumer movement and the trade union movement each held 50%. From the currency reform to the end of 1951 it paid out claims to the extent of D. M. 40 million. Similarly, the Eigenhilfe (Insurance Society for Fire etc.) which was established in 1925, made much headway after the currency reform. At the end of 1951, more than 1 million insurance contracts were in force and the premium income was D. M. 14.5 million. In 1951, claims paid out amounted to D. M. 8.1 million. During the post-war period, the co-operative movement entered two new fields of activity—deep sea fishing and banking. Purely co-operative organizations were not formed but these were combined with trade Unions and public authorities. The banks came to be associated with Trade Unions and deep-sea-fishing companies with public authorities. Under the guidance of Henry Everling, a non-profit enterprise for deep-sea fishing was launched in 1948, with the capital subscribed by the G. E. G., the Trade Union Council and others. The Company started with a few trawlers chartered from the Americans. At the end of 1951, it owned a fishing fleet of 17 trawlers with a tonnage of over 8000. Its catch of fish in 1951 was over 800,000 cwt. Thus the co-operative movement entered into primary production of food. The establishment of 6 banks for Collective Economy was due to three considerations : Firstly, it was thought that the savings of co-operative members of consumers' movement would be channeled through the proper banking institutions. Secondly, collaboration with Trade Unions in the field of banking would pave the way for a progressive banking policy for the Labour Movement. Thirdly, a bulk tapping of the savings of members and of the resources of Trade Unions and other co-operative organizations would be in a much stronger position than separate savings and banking institutions for different

sectors of the co-operative movement. The banks were founded as joint stock companies in 1949 and the capital was subscribed by the Trade Unions and Co-operative organizations. They met with great difficulties in the matter of mobilization of savings in the initial stages. The co-operative shops were given the right to accept savings deposits as agents of these banks—a right which was unquestioned before 1933. Despite this, deposits of these banks have greatly increased and at the end of 1952 deposits stood at D. M. 567.5 million. Not only do these banks finance co-operative business, but they also grant larger credits to other types of enterprises and credits outstanding on 31-10-52 were D. M. 285 million. Thus the Banks for Collective Economy play a very important role in the West German Banking system. The consumers' co-operative societies, the Wholesale Society, the G. E. G., the Insurance Societies, the non-profit deep-sea fishing company, the Banks for Collective Economy as well as Co-operative Housing Associations form the foundation of a new economic order and vehicle of social reform in West Germany.

9. A Local Co-operative Consumer Society :

The local society is the foundation of the consumers' movement. There were 310 local consumers'societies with an aggregate membership of 1·9 million. Amongst the members, thousands of convinced co-operators can be counted. The constitution of a local consumer society in Germany differs from that in other countries in one respect, viz. in the introduction of the system of representative democracy which has been made compulsory by law. For all societies with more than 3000 members, the system is compulsory. For societies between 1500 and 3000 members, the system of delegate meeting can be introduced by the rules. Since the General Meeting of all members in large societies was too unwieldy to guarantee the proper exercise of members' rights, the law allowed these rights to be transferred to elected members who as a body formed the General Meeting or the Representatives' meeting. The constituency for these elections is normally one shop district, the members of the shop district electing one delegate and one deputy delegate each for the representative meeting. The delegates function as a body and also individually they represent the interests of their shop district, and maintain a close contact with the membership. They also organize meetings of members in their shop districts in order to build up a proper co-operative

community life among them. The size of the local society varies greatly. In the year 1952, one society had passed 100,000 membership mark, another the 90,000 mark and there were four more societies with over 50,000 members at the end of 1952. and one had nearly 60000 members. The seven largest societies represent approximately 25% of the total membership of the movement and the predominent type of society is the medium-sized one with 20 to 30 shops, not too small for rational business organization nor too big for contact with membership becoming a difficult task. In the field of retailing, the co-operative movement has done much to improve shopping facilities to the consumers. It has ventured into the field of self-service and has developed 'quick service shop' an adaptation of the super-market idea to European conditions.

10. The Central and Regional Unions :

The Central Union existing at present in Germany is in many respects different from the one that existed before 1933 and is also distinct from institutions of a similar type that exist in other countries. The functions of the Central Union in Germany are purely promotional and educational. Its position is stronger than other Unions in Britain and other countries, as it is legally recognized as the central auditing institution. This means that it undertakes certain legal obligations of auditing and supervising its affiliated societies. Under the amended co-operative law, affiliation to an auditing union is a statutory condition for registration of a co-operative society. The regional union is bound to audit its affiliated societies once every second year if the balance-sheet total in each case is below £ 30000 (D. M. 3,50,000). Otherwise, it has to be audited once every year. All these societies are affiliated to a regional union which forms an integral part of the central union, although they are legally separate entities. The Central Union supervises the auditing activities of Regional Unions and audits the accounts of bigger societies. The most important organizational change in the structure of the Central Union was the co-ordination of its functions with the G. E. G. in 1951. The change has not affected the organizational and financial independence of both organizations and their organs but it has led to a better collaboration and better integration of their work. The President of the G. E. G. and the Central Union is the same individual since 1951. He is Gustav Dehrendfro, who became a

Managing Director of the biggest consumer society after the War. In 1948 he was elected Managing Director of the G. E. G. and six months later he became its President. In addition to the President, there are three Managing Directors in charge of different Departments in the Central Union. There are also three other members of the Board, one of whom represents the G. E. G., and two others the Regional Unions and Societies. Some of the activities of the Central Union have been co-ordinated with similar activities of the G. E. G., such as internal administration, finance and propaganda with the respective Managing Directors of the G. E. G.-in-Charge.

11. The Official Organs of the Central Union :

At the end of this part is given a chart showing the organs of the Central Union, from which it will be seen that the highest organ of the Central Union and of the whole of the consumers' movement is the Consumers' Co-operative Congress, which is held once in every two years. At Congress all consumers' societies are represented as well as the G. E. G., the Regional Unions and other non-profit enterprises affiliated to the Central Union. Voting is regulated as follows :—

Societies having membership up to 1000 have one vote, those with more than 1000 members have 2 to 6 votes, the G. E. G. 15, the affiliated Regional Unions and non-profit enterprises 2 votes each. The full voting power of the Congress is approximately 750. The main business of the Congress is to lay down general directions of co-operative policy and action in important matters, to elect the members of the Board, to approve of accounts and reports and to decide upon alterations of the Rules. In the years in which the Congress does not meet, its place is taken by another body-the General Council which approves of accounts and reports and which must be done every year. The General Council consists of the Boards of the Central Union and the G. E. G., the members of the Co-operative Council of the Central Union and of the Supervising Council of the G. E. G., 10 representatives each of the Regional Unions, four of the Women's Guild, the full-time members of the Board of the Insurance Society, one representative of each of the other non-profit enterprises affiliated to the Central Union. The General Council normally meets once in a year either instead of or a short time before the Congress. The Co-operative Council is an intermediate organ between the Congress and the Executive.

It meets regularly four times a year and decides upon all important questions of policy and principle during the interval between the two sessions of the Congress. It is also a link between the Executive at Hamburg and the co-operative movement in other parts of the country. It exercises a sort of delegated legislative power. The headquarters of the Central Union at Hamburg were destroyed during the War. With it the Co-operative School also went down. In 1952 it was decided to build a new school which was opened on the Alster River in 1953, in the new premises built. A new feature of post-war co-operative development in West Germany is the Women's Guild. In the course of a few years' time, 100 local women's groups were formed with a total membership of 15000. The National Conference of Women's Guilds is held in conjunction with the Congress every two years. The National Women's Guild in Germany is not entirely an independent body but part of the Central Union, the local Guild being part of the organization of the local societies. The Youth Movement of the Central Union is another recent branch of activity. At the end of 1950, 22 Youth Groups were in existence with more than 1000 members. The Youth Organization is also connected with the co-operative societies and the Central Union. There were five Regional Co-operative Consumer Unions with membership and number of societies at the end of 1952 as indicated below :

Regions.	No. of Societies.	Members.
(1) North-West	108	3,69,463
(2) North-Rhine (Westphalia)	72	6,18,232
(3) South-West	46	2,65,049
(4) Bavaria	39	2,94,699
(5) Wurtemberg-Baden.	43	2,93,782

The Regional Unions not only audit the accounts of their affiliates but also assist them with advice on questions of organization, business and finance.

12. Problems of Co-operative Consumers' Movement and Future Lines of Development in West Germany :

The co-operative movement in West Germany has not reached that stature during the first post-war period of rehabilitation, as it had in the peak years before 1933. But it has certainly made good progress within the span of a few years. Still, however,

the gap of 20 years of progress has still to be filled before it can march again hand in hand with the movements in other countries. German co-operators will have to bend all their energies to see that the gap is filled in the shortest possible time. It is noteworthy that the consumers' societies have already secured high reputation and have won the confidence of the consumers by introducing modern methods of retailing, viz., self-service and tempo-shops and by manufacturing quality goods at competitive prices. The G. E. G. and the consumer societies have followed an active price policy in order to fight the high cost of living. Yet there is much to be done to make the active price policy—the trading policy of every single unit of the movement. Only in this way can the movement be able to exert its healthy influence on the standard of living of the masses of consumers. By offering material advantages it can still convert those that have remained outside its fold.

The German Consumers' Movement does not believe in a high rate of dividend on purchase, as high rate means high prices also. The policy of the co-operative consumers' movement has been, therefore, to keep dividend on purchase as low as 3% in order to enable the societies to exercise a determining influence on the level of prices.

A necessary condition to the pursuit of an active price policy is the radical rationalisation of every process of production and distribution. In order to understand the know how, a team of eight co-operators were sent to the United States of America to study modern methods of production and distribution. Report of this study is awaiting publication. It was to be expected that the private traders would no longer be spectators of the progress of the consumer societies. They would leave no stone unturned to see that curbs are put on the movement by an increased taxation on the co-operatives and by prohibiting sales to non-members. It is, however, not likely that they would succeed in this campaign of discrimininatory legislation as regards non-members but what is likely to happen is that the surplus in excess of 3% of divi on purchase will be most severely taxed. A Bill submitted to Parliament in 1953 provided for the cancellation of the obnoxious clause in the law prohibiting sales to non-members, and it also contained another provision subjecting all dividend over 3 per cent to the Corporation Tax. That is to say, for every D. M. 1 paid in excess of

3%, the tax would be D. M. 250. This tax would prevent further accumulation of capital and aggravate the problem of shortage of capital. It may be expected that the influx of new members resulting from adoption of a more active price policy will to some degree compensate for the reduced chances of accumulating own capital out of dividend. One of the problems facing the West German Co-operative Consumers' Movement is the existence of a fairly large number of co-operative deserts. It is expected that the G. E. G. will give financial assistance to newly formed societies in regions where societies are not estabilished hitherto. Action on this part of the G. E. G. in this sphere can only be on a small scale. A more ambitions attempt to accelerate the pace of the co-operative movement in undeveloped and under-developed areas is the establishment of what are called 'Development Societies' in Northern and Southern Germany whose fields of operation cover the whole of Federal Republic. These two societies mobilise and utilise credits for expanding the distributive network of the co-operative movement as a whole. They would raise sufficient monies on the basis of guarantees by their member-societies and equip new shops and let them to existing co-operative societies, which in course of time will acquire them. In places where co-operative societies do not yet exist, special management societies are to be established which would manage the new shops till a new society is formed to take them over. This new experiment is expected to promote the cause of the co-operative movement and its expansion in cities and towns not yet covered by co-operatives. It will also serve to spread the idea of co-operation not only in cities and towns but also in the countryside where it has made much less progress. It is up to the co-operative movement to see to it that the rural countryside is opened up to consumers' movement even if it has to be done by societies of a predominantly urban character. A noteworthy feature of the post-war co-operative activity is the entry of the co-operative movement in the political field partly due to the unsettled general conditions of the post-war era and partly due to the awakening of the public spirit within the movement itself. The co-operative movement has preserved its political independence and maintained an attitude of neutrality towards all parties, but it claims to speak for all consumers, to criticise all measures of economic reforms and to formulate its own co-operative policy on behalf of the movement. It has

also taken the initiative in forming a parliamentary group of all members of the Federal Diet interested in co-operation. Matters of legislation and questions of economic policy are regularly discussed with the Parliamentary Group and when necessary, joint action is decided upon in collaboration with the Central Union. The Parliamentary Group comprises members of opposition, Government Parties in Parliament, the Socialistic Democratic Party and the Christian Democratic Union. Its work is of the utmost importance for the movement in defending its interests in the sphere of legislation. The following excerpts from the Memorandum on the Tasks and Aims of the Co-operative Consumers' Movement in our present time published by the Central Union in 1952 are worth quoting here :

"The consumers' movement has sprung from social as well as Christian roots. One of its essential tasks is to strengthen the cohesion of all the spiritual forces that have contributed to its growth, to lessen the strain in the economy of the body politic, resulting from the clash of opposing economic interests, to help in bridging the deep gulf separating the different social sections of our people. and thereby to fortify German democracy".

I. Diagram showing Organs of the Central Union

(A) Executive Board

(7 Members and 4 Managing Directors).

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(B) Co-operative Council

18 Members as follows :—

2 each from 5 Regional Consumers' Unions.
2 G. E. G.
2 Women's Guild.
4 Elected by Congress.

|

(C) General Council

Composition :—

Board of Central Union and G. E. G., Co-operative Council of Central Union and Supervising Council of G. E. G., 10 representatives of Regional Unions; of G. E. G., 10 representatives of Regional Unions; 4 representatives of Women's Guild; Managing Directors of the Insurance Society (Life Branch), one representative each of all other non-profit enterprises affiliated to the Central Union.

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(D) Consumers' Co-operative Congress

Composition :—

General Council: Representatives of Consumers' Societies; G. E. G. and Regional Unions.

Voting power :—

Societies up to 1000 individual members.	... 1
Societies between 1000 and 3000	... 2
Societies between 3000 to 10000	... 3
Societies between 10000 to 30000	... 4
Societies between 30000 to 100000	... 5
and over 100,000	... 6
G. E. G.	... 15
Regional Unions	... 2 each

|

At the base 310 Consumers' Societies with 1900,000 members. (Vide page 48—*Consumers' Co-operation in Germany* by Dr. Hasselman.)

II. Diagram showing the Structure of West German Co-operative Movement

Raiffeisen Federation of German Agricultural Co-operatives

- 21 Regional Federations.
- 10 National Central Organizations
- Milk, fat and eggs, livestock, grain, wine, fertilizers, seed imports, two mortgage banks, insurance publications.

- 12 Regional Central Banks.
- 13 Regional Supply and Marketing Centrals.
- 20 Regional Dairy and Eggs Centrals.
- 11 Regional Livestock Centrals
- 6 Regional Wine Centrals.
- Other Regional Centrals.

11074 Local Credit Societies.

9772 Local Commodity Societies.
2541 Supply and Marketing.
5580 Dairies.
310 Livestock Associations
533 Wine Associations
512 Egg Associations
696 Others

2328 Local Service Societies
741 Threshing.
531 Electricity
1156 Others.

(Vide page 107—*Year Book of Agricultural Co-operation, 1955*)

III

THE CO-OPERATIVE MOVEMENT IN GERMANY

PART

[III]

Co-operation in Eastern Germany :—The development of two parts of Germany has moved in quite opposite directions dependent on the political ideology of the occupying authorities. The Western Zone has developed into a western democracy, while the eastern part has adapted itself to the pattern of the U. S. S. R. Until 1952, no spectacular development of the co-operative movement took place, the main emphasis of agricultural policy being the fulfilment of delivery quotas, setting up of State farms on the model of Sovkohs of a smallerscale, and establishment of machinery pools (the M.T.S.). War-time controls over German agriculture were retained in a modified form by the occupying authority. Compulsory delivery quotas were made applicable to the livestock products, wheat and sugar beet. Other decrees regulating spring sowing, slaughter of livestock and delivery quotas for oil-seeds, potatoes, vegetable, hay and straw followed. Failure to deliver quotas fixed entailed penalties. Produce in excess of quota requirements could be sold by the farmers either to State or to Co-operative Trading Organizations, in exchange for consumer goods. Agricultural policy in the D. D. R. (Deutsche Demokratische Republik) may be divided during the post-war decade in Eastern Germany into three stages. The first stage was the land reform of 1945. During 1945-46 apart from 4278 estates owned by the Nationalist Socialist Party, 7112 estates exceeding 100 hectares each were expropriated and no compensation was paid. The land thus made available (1.68 hectares of arable land plus 3,40,000 hectares of grass land) formed the basis for the new small holdings of which 2,10,076 were established with an average of 8 hectares of arable land and pasture land totalling 16,96,083 hectares. Part of the expropriated land was utilized in increasing the holdings of small farmers (2,71,000 hectares) and part was used in converting

into State farms—600 State-owned estates. The latter with more than 1 million hectares were intended to serve as model farms and for research, breeding and development purposes. This radical change in the ownership of agricultural land was imposed by the Soviet Military administration and the former owners of the estates exceeding 100 hectares were not only expropriated but were expelled from their previous domiciles in order to make room for landless farm-workers and refugees. The result of the agricultural policy expressed statistically was a sharp dimunition in the average holding from 11.2 hectares in 1939 to 8.1 hectares in 1946 and a considerable rise in the number of small holdings from 5,06,000 in 1939 to 7,40,000 in 1951. The land reform was not merely an imitation of the Communist Land Legislation of 1918 but to some extent the political reflection of conditions prevailing in the Post-war Eastern Germany—4 million refugees, dismantling of industries, and destruction of agricultural buildings and equipment and disappearance of livestock were the features of the situation. In such a situation land reform was necessitated for the recovery of agricultural production. It was also meant to be a compromise between Russian Communism and the conservative tendency of the farming German community. To equip more than 200,000 new buildings even- on the low post-war standards was a formidable task especially when the existing expropriated estates had been depleted by war and occupation. Allocation of new production to reparations handicapped the new farmers. The extreme shortage of building materials was responsible for the scarcity of supply of dwellings of any kind. For the 210,000 refugee settlers, 47,846 houses were available from the estates expropriated in 1946 in addition to 50,850 farm and 18,956 stores buildings. During a period of seven years from 1946-1953, 94,668 houses, 1,04,235 farm buildings, and 38,406 stores were built, still leaving 30% of the farmers unprovided with a house. This compelled the new farmer to fend for himself and exchange his produce in the unofficial market against goods in short supply. The continued failure of agricultural deliveries at official prices is thus attributable to the lack of sufficient supply of industrial goods, needed by the thousands of new farmers.

The second stage of the land reform commenced with the reorganization of the co-operative movement. Here the second break occurred with the German tradition through introduction

of collectivisation of land using co-operatives as a means to induce as many peasants as possible to join the collective farms. The first indication of this departure was given at the Conference of the ruling Socialist Unity Party in a speech made by the Deputy Premier Ulbricht, the Secretary-General of the Party. He said : " The Central Committee of the Party has studied carefully the letters from the working peasants in agricultural producer-co-operatives and believes that the establishment of such co-operatives on a strictly voluntary basis makes a great advance." With this Conference the third stage of land reform commenced. After the Conference of the Unity Party the signal was set for the establishment of an increasing number of producer-co-operatives. While direct coercion was discouraged, considerable economic pressure was used to persuade peasants to join producer-co-operatives. The latter were treated on a different footing and were accorded certain specific privileges as listed below:

(a) Producer-co-operatives had first priority on agricultural machinery from the machinery pools and the best drivers and the best equipment were allocated to the individual producer-co-operatives. The lowest scale of charges was levied and made payable from the proceeds of 1953 harvest.

(b) The best agricultural advisers were allotted to machinery pools that were working for producer-co-operatives. Their technical aid was made available to co-operatives free of cost.

(c) Co-operatives were supplied with chemical manures on credit until after the 1953 harvest.

(d) Co-operatives were entitled in priority to high quality seeds from the seed reserves.

(e) Co-operatives adopting approved regulations or bye-laws were exempted from all tax payments for the first two years.

(f) Co-operatives were entitled to long-term and short-term finance from the Ministries of Finance and Agriculture and from the Peasants' Bank.

(g) Co-operatives were allowed priority for delivery of sugar beet to refineries and other agricultural produce to the appropriate agencies.

(h) Individual farmers joining the producer-co-operatives enjoyed the following advantages :—

(i) Quotas for compulsory deliveries of grain, potatoes and oil-seeds in 1952 were 10 per cent below the original assessment.

(ii) They were also granted 25% rebate in tax in 1952.

(iii) They were accorded priority in the supply of manurial fertilizers, agricultural equipment, seeds, breeding animals, feeding stuffs and priority loans for private building within the limits of the Building Plan. They were further relieved of repayment of debts to the State arising from the land under the land reform. The peasants not joining the co-operatives had less fertilizers, poorer seed, less service from the machinery pools. In addition to these disadvantages, many were forced to join them in order to escape the consequences of not delivering the full quotas fixed.

Some co-operatives are reported to have pooled arable land only by retaining gardens, pastures, animals and machiery for the owners' private use. Others have surrendered machinery and equipment. Some have adopted joint husbandry as well. The new producer-co-operatives were trying to organise their work rather on the pattern of factory work than of farm work. The eight-hour day was laid down and members were granted annual leave. They were formed into labour-brigades and were given definite targets and norms. At the end of 1952, according to one source, 709 producer-co-operatives had been set up with a total area of 59500 hectares (1,47,000 acres) forming 8 per cent of the total area under cultivation. Thus the ruling party laid the foundations for a socialist state in agriculture.

Statistics relating to producer-co-operatives :—The subjoined table indicates the growth and development of agricultural co-operatives in Eastern Germany over a period of years as shown below :—

Date	No. of Co-operatives formed	Area owned (Ha)	No. of members	No. of farms taken over	Average size of farms (Ha)	% of co-operatively held land to all farm land
20–11–52	1204	99,280	19,902	12,441	82·5	2·6
31–12–53	4751	7,14,198	1,33,776	60,000	150·3	11·6
31–12–54	5108	9,20,768	1,57,761	not known	180·3	15·0
15–11–55	6047	12,79,200	2,00,000	,,	211·5	20·8

These statistics are significant enough in that they show gradual progress of collectivization of land through co-operatives. The average size of the collective farm is continually on the increase because the land owned by farmers who left for Eastern Germany is given to the co-operatives by the authorities. The percentage of co-operatively held land is also on the increase. Each member is required to give his entire holding, with the exception of his vegetable plot (1·2 acre) to the co-operative. If the land is held on lease, that too must have to be relinquished in favour of the co-operative which pays rental to the landlord. In order to enable the landless worker to join the farm, the State is prepared to allot to him some land—usually land expropriated from larger estates which are in turn ceded to the co-operative. The co-operative holdings are converted into a single block of land and no hedges, no boundary stones or marks are retained. If a member, however, wants to resign his membership of the co-operative, he is not entitled to get his original holding, but a corresponding plot near the boundary of the co-operative farm. It may, however, be noted that the title to the land which is allowed to be pooled remains in the individual members even where the farm is cultivated jointly. Mechanical equipment and livestock must also be handed over to the co-operative. The member can retain two cows, calves and other livestock and his poultry without restriction, and up to 10 beehives. As a personal obligation corresponding to the retention of poultry, cattle etc., the member is under an obligation to fulfil some part of the Government delivery quota imposed upon the district in which the co-operative operates. The co-operative makes a valuation of land and other equipment surrendered to the co-operative and credit the account of the individual. This valuation is the basis on which distributable portion of the profits is allocated according to capital contribution. Membership of the producer-co-operatives is voluntary and it is restricted to active farmers with a maximum hoding of 20 hectares (50 acres), landless farm-workers and inhabitants of the village. Members of the former capitalist class are excluded but their sons can join if they are separated from their parents.

Employment of Labour on the Farm :—Only members are employed, and whenever necesssary, specialists and experts may be employed on a salary basis. Every member is required to work at least 150 days annually, which rule applies also to the elected

foreman. The main business of the foreman is to plan the work and form special brigades for such purposes as planned cultivation and stock-breeding. The brigades are formed for a normal period of three years. They work on the area allotted under the elected foreman with livestock and implements. The foreman, in addition to his field work, maintains accounts and the members' work register. The highest authority in the co-operative is the General Meeting which elects the Chairman and the Board of Directors whose tenure of office is one year. Profits must be applied in the first instance towards a reserve fund, a seed fund, an emergency reserve fund, a livestock fund, a mutual fund to assist old and invalid members and particularly the iron reserve of the co-operative —the joint and indivisible fund which may receive up to 6% of annual production. After paying taxes and fees to maintain contractors, profits up to 1% may be allotted to cultural objects and the remaining profits are divided among the members. Producer-co-operatives may be classified under three categories on the basis of division of profits. One part is allocated according to land ownership and another according to work done during the year. In the first category, the ratio is 60% for work done and 40% for ownership dividend on the land cultivated by the society. In the second group of co-operatives, this proportion is 70% for work and 30% for land-ownership dividend, and in the third group it is 80% and 20% respectively. In other respects the rules for the conduct of business of these co-operatives are practically uniform and according to an unofficial statement, there were, in 1954, 1930 co-operatives belonging to the first group, 178 in the second group and 3000 in the third group, but payment of ownership dividend being equivalent to old ground-rent is considered re-actionary and according to Marxist theory the very existence of ground-rent is regarded as an obstacle to agricultural development. Besides, it is the professed aim of the producer-co-operatives to eliminate all allocations based on differential ownership of land cultivated. It may be noted that considerable pressure was exercised by the D. D. R. Government to promote the formation of producer-co-operatives in the earlier months of 1952 reform, but both shortage of experts and agricultural machinery have led to a more realistic evalution of the scope for the extension of centralized production. Government pressure is now exercised in an indirect way. That is to say, priority in the service of the M. T. S., tax

reduction and reduction in delivery quotas are only available to those who join the producer-co-operative. Despite all efforts at stepping up agricultural production, some shortages in foodstuffs, meat, butter and sugar are in evidence, but it is not possible to pass a final judgment in view of large population-increases after 1945, effects of reparation deliveries, war destruction and damage to property. It will be gathered from what has been mentioned that the factors which were operating towards collective farming in Soviet Russian agriculture were in operation only to a limited extent in the D. D. R.

II. Consumers' Co-operative Movement in Eastern Germany

In the Eastern part of Germany, Co-operative Consumers' Movement has developed in a different way. The Government in charge, in close co-operation with the Soviet Military Government, set out to change the social and economic structure of the whole country from above. As already referred to, under the Land Reform Scheme, large farming estates were broken up and land distributed to small holders and landless workers. From the autumn of 1952 a strong movement for collectivisation of land was set on foot, the agricultural producers' society being the transitional stage. At the same time, the consumers' co-operatives societies were called upon closely to collaborate with these productive societies in order to keep them going and to integrate them into the socialist sector of Eastern German economy. In the sphere of industry the aim of Government was nationalization and many hundreds of factories and workshops were expropriated and converted into "people's own enterprises"; wholesale and retail trade too came in for socialization and a semblance of competition was maintained in the field of retail trade. In addition to the small shop-keeper, two giant enterprises directed by the State, viz., the H. O. (Trade Organization and Konsum formally consumers society) came into existence. The influence of the State in the wholesale trade became predominent. The Konsum in order to fulfil the objectives in view had to be a powerful organization. It was, therefore, given privileges in regard to the distribution of scarce goods and every assistance was made available to it in taking over and promoting enterprises, shops, warehouses and factories etc. These privileges promoted its artificial growth. Thus in a very short time its membership rose to 2·6 million familities in a population of 19 million—a wonderful achievement for an independent, genuine,

organic co-operative growth. In November 1952, the number of shops were stated to be 18000. Many retail shop-keepers were ordered to hand over their shops to co-operative societies without compensation. The Konsum, it may be noted, is not a neutral organization. It openly supports communism and takes part in the class struggle of the toiling masses for power. In all important political actions it is directed by the Communist Party and its instrument, the State. Konsum is the obedient servant of the Communist State and if the consumers' movement is regarded as superfluous, the Communist leaders might hail that decision as a necessary step towards evolution of a higher form of socialism. If at all a reunion of East and West Germany comes about at any time or within a measurable distance of time, the German co-operators will have to face a hard and difficult problem, to reform the pseudo-co-operative edifice set up in Eastern Germany.

2. **International Relations** :—Before 1933 the Central Union of German Consumers' Societies was one of the active members of the International Co-operative Alliance, and it was also represented in the Central Committee of the I. C. A. After the World War I Henrich Kauffman became a member of the Executive of the I. C. A. and devoted all his energies to promote the cause of International co-operative action. In 1933, connections with the I. C. A. were severed on account of Nazification and reorganization of the German Co-operative Movement. The I. C. A., however, did not at first eject the new German Co-operative set-up but demanded an investigation into its true character. With the refusal of the Nazi masters at the time of the German co-operative movement, all negotiations for readmission of the movement came to an end. For a period of 15 years the co-operative movement in Germany was in isolation, and in 1948 the G. E. G. joined the I. C. A. again as an individual member and in 1948 the Central Union was admitted into the Alliance as a collective member, so that the whole consumers' movement came to be represented into the I. C. A. henceforward.

IV CO-OPERATIVE MOVEMENT IN DENMARK

The General Economic Background :—Denmark is a small low-lying country consisting of a network of islands, the two main islands being Funen and Zealand with promontory of Jutland. Its area is 16,580 sq. miles with a population of over 5 million. Denmark has been in the past but is no longer a predominently agricultural country. Only about 20% of the population get their living directly from farming, whereas 35% get it from industry and handicrafts. During the past 150 years the urban population of Denmark has increased by leaps and bounds, whereas the rural population has remained static at about 1 million. The proportion of agricultural income has declined from nearly 40% in 1875 to 25% around 1902, and less than 20% at the present day. But this does not mean that there has been any absolute decline in Danish agriculture,—far from it; despite a reduction of 20% in its labour force, Danish agriculture increased its total yield by 177% and its total production by 25% but production in other industries has expanded at a far higher rate than in agriculture. There are, however, two vital respects in which agriculture in Denmark is understood to be paramount. Farmland is the only natural resource of any importance in Denmark. There are virtually no native resources of minerals, fuel or water-power. Foreign trade has enabled Danish industry to take the lead basing itself on imported raw materials, home agricultural production and highly skilled labour force. Secondly, farm produce—animal products such as butter, bacon, eggs, meat, cheese etc.—still constitutes the major part of Danish export trade, though industrial exports also increased from 25% before the War to 31% in 1955. Thus agricultural production supplies the Danish population with most of its food and brings home industrial products and raw materials for Danish industry. An important result of its dependence on foreign trade-export of agricultural produce is that the Danish economy is very sensitive to any changes in trade conditions. Fall in demand or

prices for Danish export products or import restrictions in the countries which trade with Denmark seriously affect the Danish economy. A characteristic feature of Danish economy is that social taxation, social legislation and Trade Union activity have brought about a greater uniformity in the distribution of income than in most other countries. There are a few millionnaires and a few poor people. Danish workers belong to the middle class. There are very few large farms. Small and medium holdings predominate and more than 90% of the farms belong to the cultivators. Creation of large farms and diminution of the existing dwarf farms are prevented by legislation. The family freehold farm is the norm. There is also legislative protection for the tradesmen, The efficiency and strong trade unionism of the Danish workers have kept the wage levels relatively high. Education is free and the nationwide system of insurance covers all kinds of risk, including old age, sickness, invalidity and unemployment. Denmark is reported to be chronically short of capital. Consumption being too high relatively to production, too little is saved for reinvestment. A tendency is also noticed for imports to exceed exports which has to be controlled through a system of licencing for payments in the foreign currency. A tendency towards inflation with money incomes is also noticeable, especially wages which automatically rise in accordance with changes in the cost of living index. This does not affect much production for home market, as it affects the competitive power of Danish exports, particularly animal products. It is, therefore, the policy of the export industries in Denmark to press the Government to take effective steps against inflation.

2. The Agricultural Background in Danish Co-operation :— Denmark is reported to have 205000 agricultural holdings of which the great majority are owner-occupied small and medium farms. Over 100,000 (17% of the total acreage) are small holdings under 25 acres. Another 80000 or so (46% of total acreage) are 25-75 acre holdings, and 20000 (24% of total acreage) are medium farms, ranging from 75 to 150 acres. There are less than 4000 holdings with over 150 acres which form 13% of the total acreage. In 1954 Denmark is reported to have 55000 tractors. About 1,08,000 farms had milking machines and 97% farms and small holdings had electricity. Danish farms are reported to have acreage yields not surpassed by any other country in the world. About

85% of the agricultural acreage is under ordinary crop rotations of cereals (42%), crops (18%), and rotational grass and fodder grain (21%). Permanent grass accounts for only 15% of the total and is virtually confined to land found unsuitable for inclusion in the rotation. Cultivation is intensive. The old time principle of fallow is replaced by varied cropping. Modern methods of weed control are in use and generous use is also made of manures and fertilisers. The high level of arable production is mainly concerned with livestock production primarily for milk, meat, bacon and eggs, since most of the Danish farms are run as general mixed farms. The two major sources of income are the cow and the pig, the subsidiary service being the hen. Milk is delivered to dairies or processing plants and only 13% of the total output (1050 million gallons) is sold as liquid milk. The dairy bi-products-skim milk and whey are used for feeding the pigs which are processed by the bacon factories. The Danish system of production—small and medium farming—not only depends on co-operative marketing, processing and supply facilities, but also on the excellent advisory and technical services provided through the farmers' and small-holders' professional organizations. Though the latter are affiliated to regional and national unions, they are essentially independent local bodies or Unions of Farmers, each with its own subscription rules and rates and sometimes its own journal as well. These organize local shows and maintain trained advisers on matters such as plant cultivation, land improvement and livestock breeding and management, accounting, farm buildings and farm households etc. Half the salaries of these advisers is met by the Government by means of grants and farmers freely consult them. This advisory service is of great value and there is one Adviser to every 300 holdings. Advisers are College Graduates with an additional qualification of three years' practical experience of farm training. In order to keep in touch with latest developments they attend annual conferences of experts from the Agricultural College and the official Research Institutes. Every year thousands of field tests are carried out by the Farmers' Unions under the directions of the local Adviser. The results of these tests are published and find rapid application in Danish farming. In addition to the Farmers' Local Unions, there are special associations notably for milk recording and cotton breeding. The 18000 or so milk recording associations maintain a milk recorder who visits once a month members' farms

to record and check yields and advise on rations for each cow. Members meet the expenses of the recorder on a per cow basis in addition to providing free boarding and lodging. Individual herd records and averages for different breeds are published in the reports of milk recording societies. The small local cattle breeding associations are now replaced gradually by large artificial insemination associations using the best breeding animals. These associations serve about 65% of the Danish Dairy cows. One reason why the technical services and farmer run co-operatives are so efficient and successful in Denmark is the high literacy of the Danish Farmer. Many of the Danish farmers before taking up a farm attend courses both at Folk High School and at an Agricultural School or Farm Institute. The thirty agricultural schools entertain about 3000 students who concentrate mainly on livestock management, arable cultivation and crops, farm accounts, elementary engineering and farm economics. The Folk High Schools provide for civil training and culture but limited agricultural instruction is now often included. Before starting a farm of their own all young farmers work on farms belonging to others, to supplement their training.

Development of Danish Agriculture through Co-operation :— Development of Danish agriculture has been greatly facilitated through co-operative methods and technique. Co-operation made it possible for small-holders whose production was too small to make and market their butter, bacon and cheese through joint undertakings and get a sound economic price for their products. It is co-operation that made small holdings in Denmark an economic proposition and gave support to the Government policy of establishing independent small holdings through land settlement. Whenever large estates come on the market, a Government Land Law Board has the priority of purchase subject to the payment of price which is offered by private buyers. The law also prevents any one from owning two farms. Estates purchased by the Board are divided or cut up into small family holdings and allotted to applicants subject to their having a training in farming, and some savings from their earnings. This capital is quite inadequate for establishing a new small holding and Government comes forward to supplement it by loans for erecting farm buildings and for purchase of other equipments. The land which is so financed by Government belongs to Government and the holder pays rent fixed by the Land Board. The rent the small holder pays is adjusted to market trends. The

land is tied to the farm which is built on it and the small holder has full control over it except that he cannot sell it without obtaining the Land Board's approval. This prevents speculation in farm property. Some 35000 holdings have been established in this way with Government aid and another 25000 have been established in heath land.

Historically the immediate occasion for introduction of co-operation was a loss of the fertile part of the country known as Schislwig-Holstein in the German War for its grain and livestock. It also induced an intensive feeling of nationalism in the Danes. The social significance of co-operation in Denmark is that it has enabled farmers to combine in a voluntary democratic way without prejudice to their progressive independence and build up a national farming industry unsurpassed in efficiency by any other country in the world. Denmark has, therefore, been truly acclaimed to be the Dairy Farm of Europe. The industry of the Danish people has been responsible for the remarkable improvement that has taken place in the breed of cattle and technique of production of milk and butter. The Danish farmer performs for himself through co-operatives all the functions that are performed by other agencies in other countries. He manufactures his own butter and cheese and sells them. He kills his own pigs in the abattoire (slaughter-house) and sells bacon in the London market through his own expert agency which also collects his eggs which are candled, graded and made ready for shipment to the foreign market. A Danish farmer is by and large a member of more than a dozen specialized societies covering the entire range of his economic needs. The development of co-operation in agriculture in Denmark has been fostered by three environmental factors, viz., the urgent need to produce for a competitive foreign market, a markedly democratic way of life followed by the Danes and predominence of a very literate and businesslike farmers.

Distinguishing Features of Danish Co-operation :—A distinguishing feature of Danish Co-operation is that it is based on single-purpose rather than on multi-purpose societies. This factor is responsible for decentralized organizational structure which has been complex consisting as it does of about 30 different branches of agricultural industry. Each branch has its own national or regional network of local co-operatives affiliated to special central federations which are in their turn affiliated to the highest National

Federation under the title of "Central Co-operative Committee" (C. C. C.). Specialization from the Danish farmers' point of view means, as already mentioned, that he is a member of several local societies—a different one for each of the main products he sells and others for the supply of production requirements. Another noteworthy feature is that it is entirely voluntary. It is not incorporated under special co-operative legislation unlike in other countries. Nevertheless, by adhering to a well-defined system of co-operative rules, the Danish Co-operative Movement has attained a contractual and democratic structure of membership relations. The Danish Societies strictly observe the principles of business with members only, and members are obliged to do all their business with the Society. The membership contract is universally implemented under which the marketing and processing societies are assured of a minimum through-put, and similar guaranteed business in respect of fertilizers and feeding stuffs is assured to the supply societies which, as a result, are in a position to do away with costly staff of sales representatives.

(a) A third characteristic feature of Danish Co-operation is that the Danes are not mere shareholding customers of a co-operative concern. They accept considerable trading and financial responsibility for the society and as a *quid pro quo* insist that they should have an equal voice in the management of the affairs of the society. Even in a small society the election of the Managing Committee is so arranged that it represents different areas or classes of membership. Medium and large societies having a big membership provide for an additional organ—the Council. They divide their members into equal areas approximately. The members in each area elect one representative to the Council; he and his fellow councillors form the general meeting which assumes all the powers and discharges the duties of an ordinary Genral Meeting, and elects the Committee of Management. In the case of major, regional or countrywide organizations, the constitution is really federal. That is to say, the individual members are grouped in local associations which form the corporate membership of the major society. The local associations may each send a representative to the major society's general meeting or council. If the local societies are, however, very numerous, they may combine in districts to elect district representatives. The district or area representative is responsible to the members, who have chosen him, and he serves

as a liaison between the Managing Committee and the local Branch Manager. Thus the Danish Co-operation is well laid on surer democractic foundations and gives ample scope for members' participation in the affairs of the society. Thus it has been possible in Denmark to do away with the organized publicity and salesmanship which are characteristic features of co-operation in other countries.

(b) This points to a certain lack of centralization and rationalization at the primary level and it is again the result of unplanned development in response to local customs, needs and decisions. Rationalization is particularly needed in the dairy industry and the number of local dairies are diminishing in fact from year to year with the discontinuance of small economic and unprofitable units in favour of larger units. Nevertheless, the large number of contral societies shows that a considerable degree of integration and ratiónalization has been achieved by means of secondary and tertiary federal development. The local societies with their membership of individual farmers are linked with various kinds of Regional and National organizations for different purposes. The modern trend in Danish co-operation is undoubtedly towards increasing centralization, i. e., a transfer of the main bulk of co-operative work and responsibility for making decisions from the small local units to the larger federal organizations. Export and import trade matters concerning the co-operative movement are already highly centralized. In the case of internal trade and technical problems, it is the central organization that takes the initiative in recommending methods of improving and rationalizing the branch of co-operative work with which it is concerned. The Central Organizations of all the various branches are affiliated to a national body—The Central Co-operative Committee–representing the Danish movement as a whole. This points particularly to an important feature of Danish Co-operation, viz., the high degree of integration that exists not only between marketing, processing and purchasing units of agricultural co-operation proper but also between the latter and the consumer and financial co-operatives. General Co-operative education has played little part in Denmark in the building up of the movement because of the existence of the Folk High Schools which impart a good deal of rural education. The agricultural co-operatives proper tend to think less of the co-operative than the purely technical side of their business. It is felt that new members

can be won by practical success in direct competition with private enterprise rather than by special publicity. Thus members' education has on the whole been neglected except that at the time of General Meetings when instruction is given and reports about co-operative activity are circulated among members. This attitude is now gradually begining to change. The more the Danish movement builds up competitive efficiency through Federal development, centralization and amalgamation of smaller units, the greater is the risk that the individual member will lose interest and his sense of responsibility for co-operation will be weakened. The individual member and the local society as well are excluded from an increasing number of decisions made by the Central Organizations. The only way to make their influence felt is through the choice of proper men to represent them in the main organizations and obtain their vote on the various decisions made. There is of course a considerable awareness among the co-operative leaders that increasing centralization needs to be associated with the increasing education for the younger generation of co-operators who sooner or later will become members of their local co-operatives.

(c) Another distinctive feature of Danish co-operation is the extent to which it has established contractual relations, with the private trade in a number of fields. Danish co-operation is going on for well over half a century and the Danish co-operatives have a substantial share of national trade in the various fields. Though this proportion is under 50% it is sufficient to exercise a steady regulatory influence on the private trade. The movement can be very well said to have passed the defensive stage of co-operative development to that of formulating its own policy and pressing for the adoption of that policy within the relevant sectors of the national economy. There is, however, some tension between the co-operative movement and the private trade. The consumers' co-operatives compete with private retail trade and the agricultural co-operatives with private exporters and importers and recently there has been a determined attempt by private manufacturers and dealers to prohibit co-operatives from entering into the agricultural machinery trade.

Co-operative Finance :—Another distinguishing feature is that the Danish farmers and their co-operatives are not subsidized by their State. Their main financial support is the private banks and their own credit institutions which include:—

(1) Farmers' Regional Credit Societies—which issue debenture bonds secured on the mortgage of members' property.

(2) Co-operative Village Banks which accept local deposits, give loans on second mortgages and also dispense short-term and medium-term credit to local borrowers.

(3) The National Co-operative Bank with branches and sub-branches dispenses short-term credit to co-operatives and individuals. Despite these farmer-owned institutions for supply of credit to farmers, it may be noted that dependence on private banks still persists. Co-operatives depend for long-term credit on village banks and farmers' regional credit institutions. For their short-term requirements they rely on the national co-operative bank. But the trading wholesales which extend a good deal of credit to their member-societies have to find a substantial portion of their financial accommodation from private banks. This jointly with credit restrictions has been responsible for major changes that have been brought about in Danish Co-operative Financial structure. In the past, the Danish farmer supported his co-operative society less by making deposits or making other investments with it than by exclusively trading with it, and undertaking considerable liability for the external debts of the society. Thus because of these guarantees the societies were enabled to borrow a good deal of their finance from external sources like the private banks. This has now, however, changed completely, though the guarantee to trade with the society only has still remained as an integral part of Danish co-operation. Many societies now prefer a basis of share capital with limited liability rather than unlimited liability and borrowing from external sources. It has now become an accepted practice to accumulate owned capital on the part of societies by annual retention of a major portion of patronage dividend or refund payable to members. These deferred dividends continue as interest-bearing loan fund from members repayable on the basis of a fixed term of years or on a first-in and a first-out basis as and when funds permit. Again on the financial front another noteable development is insurance. Certain co-operative marketing and processing societies have joint arrangements through their federal institutions for insurance and a number of low cost insurance societies have sprung up bringing about a general reduction in premium levels in the various branches of insurance. The main categories of co-operative insurance are:—

(1) A dairy and agricultural accident insurance society which covers also automobile theft and shipping risks.

(2) A major life insurance society.

(3) A federal society which administers superannuation schemes for employees of every branch of the co-operative movement.

(4) A smaller society specializing in insurance against fire and theft.

Co-ordination of the activities of Producer and Consumer Movement :—Another distinguishing feature of Danish co-operation is that its consumer sector continues to be largely rural and connected with the agricultural movement. Agricultural co-operation in Denmark began with village stores which have persisted even today, despite large-scale development of urban co-operation. Because of the weight of their numbers they have been able to retain control over the consumer co-operative wholesale society (F. D. B.). The F. D. B. has a farmer-Chairman with its membership concentrated in agricultural co-operatives. He is also a member of the Central Co-operative Committee. The F. D. B. is the largest consumer co-operative society in the country and has played a noteable part in the promotion of new co-operative developments in the co-operative movement as a whole. Like the local dairy, the local village store society is a senior local unit of rural co-operation. Members feel that organization is their own and control it effectively. The ordinary members and the Managing Committees of the local store society are representatives of the local community as a whole and its activities are less specialized. The local store society employes full-time Manager who is given responsibility and incentive in doing his work. The stores society, in addition to its functions of handling consumer goods, acts also as a retail outlet for agricultural supplies such as seeds, coal, and cement. It also takes over the functions of collecting and distributing agent for the Egg-marketing Fertilizer and Feeding-stuff Wholesales. The local Store Society has also been made the focus of co-operative education by the Education Department of the F. D. B. Thus the village is the most enduring local centre of co-operative business. Co-operative democracy in Denmark is in its third and fourth generations and operates on a large scale with an increasing degree of centralization. Healthy co-operative membership relations are preserved. Rationalization and centralization and increases in the scale have been carried

out by federal development rather than by amalgamation. The Danish co-operative movement has largely preserved its structural base of small societies that play an important part in local life. The binding contract which the Dane enters into with his supply or marketing co-operative gives him a substantial stake and a practical interest in its efficiency. A national agricultural weekly gives information about the co-operative movement to all the members and the rural community in general. Above all, the democratic nature of the co-operative movement assures every member an effective and equal voice in co-operative affairs. Active co-operative democracy is so vital to the Danish system that its constitutional basis requires some notice at this stage.

7. **Constitutional Basis** :—At the base there are many small primary societies with 100 or 200 members each. They have two basic organs, viz., the General Meeting (one man, one vote) and a Managing Committee, elected by the General Meeting in such a way as to represent different parts of the membership area or different occupational groups (in the case of stores). A salaried manager is appointed and in the case of dairies or stores, direct financial control is retained by electing a Chairman-Accountant or a special Honorary Accountant.

8. **Large Primary Societies** :—Large primary societies having a membership of 3000 have usually four basic organs : (1) the General Meeting, (2) the Council elected by the General Meeting in such a way as to include representatives of each parish group of members, (3) the Management Committee elected by the General Meeting with due regard to area representation, and (4) a small Executive elected by the Managing Committee. In the case of poultry-packing stations, though they retain the General Meeting, their sovereign organ is the Council of Representatives elected by members on a district basis. It is the Council that elects the Managing Committee. The co-operative principle of ' one man, one vote ' is applied not only in primary societies but its equivalents also in federal societies having a corporate membership. The sixty and odd bacon factories may send more than one delegate to attend the General Meeting of their Federation, but they are allowed only one vote for the purpose of electing the Managing Committee of the Federation. The Managing Committee must comprise factory managers as well as farmer-directors. In the case of nine federal butter export societies, having a more numerous

corporate membership, they have a General Meeting at which each dairy can be freely represented but their chief organ is the Council which elects the Managing Committee and each dairy has got one voting delegate for the purpose of electing the Managing Committee. These butter export societies are in their turn federated into a butter export federation which has got three organs : viz., (1) a full General Meeting attended by Council members and Manager of each society, (2) a Council with three representatives from each society, and (3) a three-member executive (including one Manager) elected by the General Meeting. A most common type of Federation met with in Denmark is the wholesale with national or regional coverage. This divides its corporate membership equitably into three district or branch areas. A Federation has usually three organs, viz., (1) the General Meeting or Congress of Member-Society delegates, (2) a Council elected on the basis of one representative for each membership district and (3) a small Managing Committee elected by the Council. Thus the Council is the main organ which acts as a liaison between the Managing Committee and the Membership and each Councillor also acts as a link between membership and branch management in his district. This is the general framework of the constitution though there is some constitutional variation between one wholesale and another.

The Structure of Danish Co-operation :—If Danish co-operation were divided into four main sectors only, viz., (1) consumer, (2) processing and marketing, (3) supply, and (4) finance, the hydra-headed structure of Danish co-operation appears to be a more centralized one than it appears on the surface, (Vide diagram attached at the end of this chapter). There are no apex Unions in Denmark co-ordinating all the activities of institutions in any one sector. Even the consumer segment is divided between a national wholesale (F. D. B.) to which most rival societies are affiliated and the independent smaller wholesale with its own regional group of societies, some of which are also members of the F. D. B. Processing and marketing covers a multitude of independent commodity branches each with its own central organization. The dairy branch, e. g., has three representative federations respectively for (1) all Danes, (2) butter export Danes and (3) cheese marketing Danes. Two other major commodity branches include bacon factories and export societies. Three similar ones include poultry packers, fruit auctions, and fish marketing societies, each of which

has got its own Federation. There are three National Marketing Societies for cattle and meat, eggs and seed—each representing its own local groups, which may belong to a different branch in respect of their primary functions as for example consumer societies collect eggs, bacon factories sell calves and local Farmers' Unions represent seed-growers in the Seed Society. Similarly, the supply sector divides itself into a dozen independent commodity wholesales, some national and others regional. Each has got its own corporate membership. Lastly, the Finance Sector includes such a distinct organization as the village banks. Insurance societies each with its own representative federation and the co-operative bank forms a national society whose shares are held by the whole co-operative movement. The unqualified success of Danish Co-operative Movement has proved the efficiency and democratic strength of the decentralized structure of autonomous branches, each led by a central federation of its constituent societies. Yet a structure of this kind poses certain problems. The high degree of Branch Federal Development tends to preserve small units at the base which may disappear sooner or later under centrally planned co-operative economy, as they stand in the way of maximum efficiency being reached, though they may still be valuable training grounds for local co-operators. With so many specialized branches functioning in closely related fields, there is bound to be some overlapping and organizational duplication, e.g., two of the nine bacon factories exporting eggs have affiliated themselves to the National Export Society in respect of their egg business, so also a number of consumers' stores that were previously marketing eggs as a Manager's side activity. Agricultural supply also is becoming increasingly multi-purpose at the local level, and some specialized wholesales act as agents within their area for others. The thirty or so branch central organizations remain soverign bodies of Danish Co-operative self-Government and all of them are members of the Central Co-operative Committee. The latter is a federal link between all sections of the Co-operative Movement and was set up in 1899 by the Branch Central Organization as an organ for joint consultation rather than for central leadership. Thus the C. C. C. is neither a central association nor a Union to which any society may affiliate for central trading or advisory services. Constitutionally speaking, the Central Co-operative Committee was nothing else than a Liaison Committee of Central Organizations

only, its object being to promote common interests and to represent them in co-operative relationship with public, the Government, the Foreign Governments and other third parties. Joint consultation soon led to other promotional activities and the C. C. C. undertook the preliminary planning and promotion of new organizations in which several branches were interested, e.g., the National Co-operative Bank, the Life Insurance Society, the Wholesales for cement, fertilizers, and agricultural machinery.

10. The Autonomy and Integration of Co-operative Institutions in Denmark :—The C. C. C. no doubt plans and promotes new developments but it exercises no control over them. Any new scheme is handed over for being implemented to an existing co-operative organization responsible to its membership. The Danish Co-operative Movement has already taken care to put curbs on centralism, e.g., many rural small store societies set up their wholesale, viz., the F. D. B., but they introduce certain constitutional safeguards to prevent control over the F. D. B. falling into the hands of a few urban societies. Similarly, readiness to collaborate, coupled with democratic vigilance, characterises the relation of the co-operative movement with Government and other third parties such as private traders and even Farmers' Unions. The major trading branches still avail of the service of private bankers and in some sectors working agreements are also found with the private trade. For example, the co-operative dairy unions include private dairies and many co-operative dairies market butter and cheese through private merchants rather than affiliate themselves to the appropriate Marketing Federation. But it may be noted that whenever private interests have sought to dominate the field by putting restrictions, the co-operative movement has sought to regain its economic freedom by establishing institutions of its own. For instance, the establishment of the National Co-operative Bank and of the wholesales for fertilizers, fuel, cement, and machinery, is a challenge to the private interests in respct of banking and wholesale trade. Similarly, there is a close link between co-operative branch centres and the Executive or the Legislative Organs of Government. Legislation fixing high quality standards of Danish agricultural commodities was sponsored by the co-operatives. Co-operatives have also found a place on various Government Committees concerned with agricultural matters and trade. During the World War II, co-operatives played an important role as members

and agencies of State Exporting Boards. Nevertheless, they have fought shy of undue interference and have relied on themselves for preserving their democratic self-governing structure. Co-operatives are the allies of the farming community in respect of business and the Farmers' Unions are the technical, professional and advisory arm and there is a close liaison between them and the co-operatives both in technical and trading spheres. But the structure and functions of co-operatives remain entirely distinct from that of farmer unions. The Unions themselves do not engage in trading activities, though they support new co-operative developments. Central liaison between the farmers' unions and co-operatives is maintained through the establishment of a separate body known as the Agricultural Council. It was set up jointly in 1919 to promote collaboration between them to undertake tasks of common interest, particularly outside the special field of any of them and to represent Danish agriculture at home and abroad. The Secretariat of the Council collects foreign market intelligence and participates in the work of various international bodies. Another aspect of co-operative autonomy and development relates to the constitution of any Central Scheme for either marketing or foreign export of farm produce. In Denmark orderly marketing for export has been organized on a co-operative basis. The Marketing Boards set up for major exports are voluntary and not statutory. They represent the main interests concerned with the product, viz., co-operatives and private export marketing agencies and the farmers' and small-holders' unions. The producers have got majority representation on each Board and in cases where the co-operatives have a major share of the export trade, they generally predominate. For example, the Bacon Marketing Board has nine co-operatives, 4 private and 2 farmers' union representatives. The Boards negotiate agreements with foreign markets and lay down export regulations and they themselves act as Central Exporting Bodies in some cases, e.g., the Bacon Board (the Bacon Factories Marketing Association,) exports itself or through other exporters. The Cattle and Meat Board is a major marketing organization handling 75% of the export trade. Most co-operatives export through it, but not cent percent. The Butter Board provides organized regulation of exports, but big Butter Export Co-operatives utilize their own marketing association for the major part of their trade, which

goes to the United Kingdom. The Egg Board itself does not export eggs, but the centralized co-operative egg exports are handled by the Egg Export Society.

The Rural Co-operative Consumer Movement :

Retail Societies :—In most countries the co-operative consumer or store movement tends to be urban and continues to be associated with labour movement, and as such, therefore, there is a clear division between agricultural and consumer co-operative movements. Denmark is an exception to this excepting Copenhegan. The earliest form of co-operative organization developed by the Danes was the village co-operative store, for the supply of household goods and farm requirements. The movement traces its origin to a date before 1914 and the great majority of the 1960 societies existing today in Denmark are stores of this kind. With the recent expansion of a few large multi-branch urban societies, consumer co-operative membership has expanded directly or indirectly throughout the country so as to include half the population. The proportion of members engaged in agriculture has fallen to about 30%. Nevertheless, the typical one shop-store is the most common, as the average society in 1955 indicates, out of 1908 retail societies affiliated to F.D.B. The size of an average village co-operative store is given below :—

Membership.	250
Turnover of business.	£32,000
Gross margin as percentage of turnover.	15·8%
Cost of establishment.	12·3%
Net surplus	3·5
Distributed among members.	2·5
Strength of staff.	4

The inclusion of some large urban societies while arriving at the average size of a rural store gives a somewhat misleading picture, e.g., the majority of secieties have less than 250 members and their turnover ranges between £15,000 and £35,000 at the most. It may be noted that the average private retailer has a much smaller amount of average turnover. A distinguishing feature of the Danish Co-operative Consumer movement lies in its predominently

rural nature, as could be seen from its turnover structure. Total sales by retail societies in 1956 included £42 million of household goods, and of nearly £15 million farm requirements, i. e., feeding stuffs, seed, fuel and cement. More than half the number of societies do business with members only though the income-tax exemption enjoyed by societies without non-member business was removed by a change in taxation law. The following balance-sheet figures at the end of 1953-54 expressed as percentages of total assets and liabilities will throw light on other features of the consumer retail societies affiliated to F. D. B. (vide Occasional Paper No. 16 H .P. F.).

Liabilities	%	*Assets*	%
Paid-up share capital.	2	Investment in Wholesales.	13
Reserves.	28	Fixed Assets.	24
Undistributed surplus	11	Total Fixed assets	37
Total Owned Capital	41		
Long-term loans.	18	Cash and Bank Balances.	8
Manager's Bond.	3	Debtors.	25
Members' Loans	12	Stocks.	30
Total Loans ...	33	Total Current Assets	63
Trade Creditors.	18	Total Assets	100%
Bank	5	Balance sheet total £17·5 million	
Other Creditors	3		
Total Creditors.	26		
Total ...	100%		
Total of Balance sheet	£ 17·5 million.		

It will be seen from the above balance sheet that the share capital forms a very small fraction of total resources, a feature of Danish Co-operation in general. Voting members must have subscribed at least to one paid-up share, but the more usual method of Danish Co-operative finance is for members to give a joint and several guarantee as security for a long-term bank

loan. There are retail secieties in urban areas, which limit the members' liability to the value of a paid-up share, but there are others also that operate with limited personal liability for a certain fixed sum. But 91% of Danish retail societies having 63% of membership still adopt unlimited joint and several liability. To start a business, the system may provide a good basis but some criticism is levelled against its utility to long-established concerns. It is argued that actual investments in shares and other forms of members capital which is lost in case of mismanagement of the affairs of the society is more likely to awaken and keep up member's interest in the business than the indefinite guarantee which the member signs in respect of his liability. It should be remembered in this context that societies with joint liability in Denmark can distribute a deficit as well as the surplus, where necessary, and this is usually done in proportion to each member's purchases during the year. During recent years the majority of retail societies—70% of the total—have begun to adopt the method long practised by co-operative dairies and bacon factories, of increasing members' investment by annual retention of a part of the Patrònage Dividend paid out to members. Dividend up to 2% of the turnover can be retained in this way as interest-bearing member's loan. The member thus gets cash dividend only to the extent that distributable surplus exceeds 2%. This is a substantial portion of the total distributable dividend, as during recent years the average surplus for all retail societies has come down to a little over 4% of turnover as against 8·4% in 1939. The policy is to allow accumulation of members' investment, until together with share capital and reserves, it amountts to 75% of the total capital. When this maximum limit is reached, retentions of dividend will continue but will be utilized in paying back loans contributed by older members on a 'First in' 'First out' basis. Some societies have adopted the system of a revolving fund for repayment of members' loans after a fixed term of years, irrespective of the societies' current needs of capital. From the balance sheet it is clear that debtors form 25% of total assets—which indicates that retail societies sell goods freely on credit. Originally the Rochdale principle of sale for cash was only observed and the Manager was wholly responsible for any credit sales allowed. There are several societies even today where the Manager himself takes the entire risk for the sale of consumer goods on credit.

In other societies it is the Managing Committee that has to sanction credit to individual consumers and even here the society and the Manager share the resultant bad debts, if any, on a 50 : 50 basis. It is only half the number of societies that charge interest on overdue accounts. The medium of exchange is eggs, and the members pay in eggs as the retail consumer society takes an important part in the co-operative export of eggs. As regards the management of a rural retail society the Co-operative Movement in Denmark lays great emphasis on lay committee, though a paid Manager enjoys in actual practice a considerable amount of latitude in running the society. An example may be given of a typical village one shop consumer society with a couple of hundreds of members. The society has a turnover of business annually of £ 30,000, 80% of which is in consumer goods, and 20 % in farm requirements. It has a share capital of £ 200, about £ 2000 reserves and Members' loan of £ 80. Each member has only one vote at the General Meeting and he is the male head of the family. Some sort of a social function is held at the time of the General Meeting. The General Body of members elects a seven-man committee consisting of two farmers, two small holders, two artizans and 1 fisherman. The Committee is so constituted as to secure the represenation of the main occupational groups of members. The Managing Committee meets on the last Thursday of every month to consider the monthly statement and any other business put forward by the Chairman. The Manager does not attend the meeting unless invited to answer specific questions. The Committee members put in gratuitous service, but the Chairman gets the remuneration of £ 5 a year. At the time of stock-taking, other Committee men also get £ 1 daily, for four days of stock-taking. The Manager is given one assistant and he may engage extra hands also if and when necessary. He is remunerated in the form of a seven per cent commission on the sale of consumer goods, 5% on seeds and 4 % on fuel. A number of members make purchases by telephone and they pay their bills once a month. In a small Danish retail society the Manager is never a member of the Committee. The latter appoints him and signs a contract with him. The form of contract used is one which has received the approval of the consumer societies' employer association and the consumer societies' managers association. The main provisions of this contract are :—

(1) Except with the special permission of the Committee the Manager shall always buy from the wholesale society.

(2) He may not trade on his own account.

(3) He shall keep records of sales and purchases, members' accounts and transactions between the society and himself but he shall forward all invoices (with sale price of the goods noted on them) to the Accountant—often the village school master, who keeps all the main accounts and deals with all suppliers' accounts. Despite these conditions the Manager is saddled with considerable indepependent responsibility. It may be noted that he is not a salaried man. He gets free accommodation usually on the business premises and otherwise he draws a commission based on percentages of sales viz. 5½ to 7% on consumer goods and 2% less on farm requirements. From this he pays a basic salary of one or two shop assistants while the society pays the cost of living bonus. He is held responsible for stocks but he is permitted to write off 1¼% of sales value to cover loss or deterioration. If losses are more he suffers and if less he gains. The society requires him to produce guarantors or to deposit a fidality bond and he usually does both. The Co-operative Managers' Association has, therefore, maintained a special guarantee fund, to help assistants who lack the means to take up the managerial course. In actual practice the Manager has a very free hand as lay committee meeting once a month or a fortnight can hardly be able to manage the affairs of a society; besides very little is done in Denmark to train committee men for management. The tendency amongst Danish Committee men is to emphasise the subordinate position of a Manager; an employee as he is criticised it forces the Managers' Association to assume the role of a trade union rather than perform the duties of a prefessional union. The requirement that a Manager should deposit considerable sums with his society as a guarantee fund lands it into difficulties particularly at the time of retirement of Manager as the society would have no money to refund the big amount. As a consequence the Manger has to be employed longer than it is wise. The Danish type of predominantly rural consumer movement consisting of many small one shop societies has both merits and demerits. One great advantage of the rural retail societies is its responsiveness to the agricultural as well as the household needs of the rural consumer and the resultant high degree of integration between the agri-

cultural and consumer wings of the Danish co-operative movement. The Manager of a village retail society is in closer contact with the members than in the case of larger societies. There is a further advantage that all members can personally attend the general meeting and grasp the relatively simple problems of a small retail business. The main drawback of a one shop business whether co-operative or private has to forge the rational division of labour possible only in large scale business. For example originally the wholesale society (F. D. B.) offered standard wholesale prices to all of its affiliated retail societies. This worked well so long as societies were small units but as big societies developed in some larger towns they were able to order wagon loads of particular commodities and they naturally claimed the rebate for bulk orders which any other wholesaler would give them. F. D. B. was, therefore, compelled to introduce bulk delivery rebates despite protests from smaller societies. The effect of this was of course satisfactory. Whenever a group of small societies were supplied from the same railway station, they took to bulking their orders in order to be able to claim the rebate. During recent years it is understood that a pilot scheme has been introduced under which a regional group of local societies agree to collaborate with the wholesale and each other by staggering their orders for a week and adopting a simplified system of ordering, and invoicing in such a way as to effect a considerable economy in costs. Another domerit of one shop society is that it is ill-equipped for modernized sale of certain dry goods particularly clothes and shoes. Here again the Danes are finding a federal type of solution by setting up Shoe shops drapery shops in the market towns under the ownership and control of societies in the nearby villages. These are called federal depots and are started with the help of F. D. B. which has got its own retail branches. Individuals purchasing at these shops make payment through their local society which thus gets the retail margin on the goods sold. Thus the Danish co-operative movement through various types of joint or federal action is trying to reap the benefits of rationalization and specialization without sacrificing the small local society—with its democratic management and good membership relations—by a process of amalgamation with larger units. This process of rationalization is mainly brought about by the F. D. B.—the Central Wholesale.

12 F. D. B. :—The Danish Co-operative Wholesale Society.

It was the small rural retail consumers' societies that were responsible for establishing the F.D.B. in 1896, in order to meet the risk of losing control of its affairs to the working class members of the large urban societies. There is a strict adherence to the democratic principle that every retail society, whatever its size may be should have one vote only at F. D. B.'s. general meeting. The only concession made to larger societies is that, if they are formed by amalgamation of small societies they are entitled to one representative for each erstwhile small societies (merged). On this basis the large Copenhegan society with a turnover of £5 million is only entitled to send 16 delegates to a meeting which if fully attended would consist of some 2,000 people. The general meeting is in fact too large. In order to get round this problem of attendance at a general meeting most Danish co-operatives have a council of representatives elected on a regional basis which is the democratic organ and a smaller body. Thus F. D. B. has also divided the country into 22 districts each with roughly the same number of retail societies. In each district the local societies elect one representative to F. D. B's council on a basis of one society one vote. Each representative acts as a link between the management of the F. D. B. and the member societies in his district. Large societies can send additional representatives in proportion to their membership and their purchases from the F. D. B. The council thus consists of 32 representatives over 50% of whom are farmers. All representatives or other deputies are elected for a term of 2 years but they are invariably re-elected and may serve a number of years. Every two years the council elects or re-elects the seven member managing committee which in 1955 consisted of 3 farmers, 3 teachers and the chairman of the Copenhagan Society. The committee meets once a month and delegates to the Chairman the task of working more closely with the management. For several years the departmental and factory managers were directly responsible to the committee and which was not conducive to co-ordination. In 1937 this defect was remedied by appointing a manager of the largest department as general manager responsible to the committee for the whole of F.D.B.'s trade, production, accountancy, etc. In addition, a general secretary was appointed to deal with legal matters, relations with banks, loan negotiations and to assume joint respon-

sibility with the chairman for day-to-day management in certain fields such as member societies accounts, auditing services and education. The division of duties between the lay committee men and paid managers is still stressed; it is customary for the general manager, the general secretary as also the chairman of the council of representatives to attend meetings of the committee. There were 1,963 retail consumer societies in Denmark of which 908 were members of the F. D. B. and the remaining were affiliated to a much smaller wholesale (R. A. V.) which does not engage in production. About 80 retail societies are members of both wholesales in addition F.D.B. had amongst its members 12 retail societies formed for its own staff and recently a new development was initiated in that 140 agricultural societies were admitted to non-voting membership in respect of supply of certain goods as raw materials. An analysis of the sales of F.D.B. in 1955 showed 71% groceries, 7% manufactured goods, 11% hardware, 5% seeds, 2% paper, and 4% other goods. The amount of turnover was £33 million. Sales were conducted from 16 depots in different parts of the country and 39 sales representatives visited the various retail societies. Of the 39 representatives, 8 were for groceries, 13 for manufactured goods, 13 for hardware, and 5 were for leather goods. The turnover of F. D. B's own factories and productive enterprises amounted to £ 8 million. Some £ 2.3 million of supplies–both finished goods and raw materials for F. D. B's factories were procured through the Scandinavian Wholesale Society to which the consumer movements of the 5 Scandinavian countries are affiliated. F. D. B's major manufacturing and processing enterprises included a soap factory, a vegetable oil refinery and margarine works, a big flour mill and a cannery. The cannery purchases its vegetables and fruits from local growers on a contract basis which assures them an outlet for all their crops and the return is equivalent to that of wheat on the same land. Tobacco, coffee and chocolates are produced and are included in groceries while dry goods production includes articles like cycles, knit-ware, tailoring, leather goods and furniture. F. D. B. also manufactures wood-killers, pesticides and binder-twine which are important from the point of view of Danish farming. At the end of 1954 the financial position of the F. D. B. is reflected in the following balance sheet figures which are expressed as percentages of various assets and liabilities, etc.

Liabilities	£ %	Assets.	£ %
Retail Societies Share		Fixed assets	5
Reserves	19		
Other Reserve Funds	21	Shares in Subsidiaries	6
Surplus	10		
Total owned	50	Total fixed assets	11
Loans	17	Stocks	48
Creditors :—		Debtor--Retail Societies	26
Suppliers	15	Subsidiaries	2
		Sundry	3
Customs & Excise	7	Cash Bank and Investments	10
National societies	2	Total Current assets	89
Subsidiaries	3	Total Assets	100
		B/S. Total £ 10 million.	
Sundry	6		
	50		
Total liabilities	100		
B./S. Total £ 10 million		Vide pp. 5-Occasional Paper No. 16 H.P.F.	

Fixed assets in the above balance sheet are reported to have been greatly written down and have a real value for greater than book value. Stocks were high in 1954 and were reduced in the following year as the result of rationalization while liquid assets such as cash, bank balance and investment were increased. The owned capital position is good being 15% of the total assets. What strikes the eye from a perusal of the balance sheet is that the local societies do not finance the whelesale but are themselves financed by the wholesale. Their trading debt to the F. D. B. exceeded their shares reserves and trading credits by nearly £ ½ million. Under the rules of the F. D. B. retail societies have to subscribe one £ 5 for every 20 individual members who have bought at least £ 5 worth of goods during the previous year. The number of individual members are re-assessed for this purpose every five years. The share pay-

ments are deducted from patronage dividend payable to the retail society on its purchases from the F. D. B. Even after shares have been paid, the F. D. B. deducts and retains annually as a reserve, credited to each retail society, 1/3rd of the dividend payable. These annual deductions and retentions continue until the retail societies reserve fund with F. D. B. amounts to at least 4 times the amount of its obligatory share holding. Retail societies are liable for F. D. B.'s debts to the extent of their holdings of shares and reserves with it. During the past several years the F. D. B. is functioning both as a trading central as well as a central advisory body. Originally the F. D. B. was intended to confine itself to purchase and produce jointly and not to promote and supervise. It was to be the servant of retail societies and not their leader. Economic difficulties in the 1920's and the fact that a new generation of co-operative members and managers had to be trained and inspired, brought about a change in the original attitude of retail societies towards the F. D. B. It was also decided that F.D.B. should publish a paper for members and establish a training school for managers. 'Co-operation' F. D. B.'s fortnightly journal has at present subscribers over 3,50,000. The Danish Co-operative College entertains 80 students a year for a course of training in management lasting for 8 months. The College also offers various short residential courses and correspondence courses. In 1929 a special joint committee of F. D. B. and managers of retail societies was established to collect statistics of the consumer movement though many local committees and managers felt that F. D. B. should mind its own business leaving them to pursue their own. It is because of this move, that fuller co-operative statistics for consumer co-operation are available and practically all retail societies send in their returns. F. D. B's auditing department for local societies though started in the year 1920's took longer time for recognition. Even in 1955, it is reported that there were 126 societies that had hung back and who preferred not to have any outside auditor to look into their business. There were 20 Auditors employed by the F.D.B. and they were all experienced men in managing the affairs of retail societies, and each was in in charge of 90 societies. Every Auditor normally spends about 2 to 3 days on each society. Though this period is short, the system has served to standardize the system of accounting. The F. D. B. also offers architects' services to member-societies and

it has gone further than any central in Denmark in providing membership education. Each of its 27 districts has an Education Committee which sends a representation to the Council of Education. The Central Council maintains contact with F. D. B's Education Department and provides speakers for the films at the request of local societies. Rationalization, increased production of consumer goods within the movement itself, and a vigorous promotion of membership education and increasing degree of collaboration between consumer and agricultural co-operation both at the primary and the national level are the main trends of the Danish Co-operation to-day.

Importance of the Rural Consumer Movement to Agricultural Co-operation :—It has already been mentioned that co-operative consumer movement in Denmark is predominently rural and that it has close links with the agricultural movement. Co-operation among farmers began with retail co-operatives in the village and despite subsequent development of large-scale Urban Co-operation, these one-shop village retail societies have in virtue of weight of their numbers been able to retain majority control of the consumer wholesale society—F.D.B. The latter has a Farmer Chairman and together with the various agricultural co-operative organizations, is a member of the Central Co-operative Committee and as the largest co-operative business in the country, it has played a notable part in the promotion of new co-operative developments of interest to the co-operative movement as a whole. The consumer wholesale wields a considerable amount of influence in the highest Councils of the Movement. This indicates the vital importance of the retail consumer co-operatives in the village to Danish Co-operation generally. Like its ally—the Dairy—the local co-operative store is the oldest unit of rural co-operation which has a small business and which the generality of members understand and feel that it is their own and so control it effectively. Again, the membership of the rural consumer society and the Committees of Management are fully representatives of the local community as a whole. The activities of such a society are less technical and specialized than those of a dairy. Again the store society has the further advantage over other local units in that it employs a full-time Manager who in actual practice is given more scope, responsibility and incentive, although more emphasis is laid on the principle of lay committee management by the Danes.

In addition to its handling trade in household goods, the local retail store is also the retail agency for agricultural supplies such as seeds, coal and cement and it also undertakes in many cases the further functions of collecting and distributing for the egg marketing , fertilizer and the feeding stuffs wholesales. Finally the Education Department of the F. D. B. is making the village store group into local focus of co-operative education conducted on modern lines. Thus under the present-day increasing trends of centralization and semi-urbanization of the rural economy, the village store society is apt to prove the most enduring point of co-operative activities. There are of course certain psychological advantages of parochialism and small size but equally there are disadvantages also. While retaining the former, rural retail society is also trying to overcome the drawbacks of parochialism in various ways, viz., by undertaking distribution of farm supplies on behalf of the agricultural wholesales, by drawing upon F. D. B's Central Advisory Statistical Auditing and Training Services; by combining with neighbouring retail societies, the rural retail society not only establishes federal shops in footwear and drapery but also tries to rationalize wholesale supply procedure.

Dairying and Co-operation in Denmark :—As already mentioned, Danish co-operation is distinguished by its natural and easy growth and a high degree of specialization. Voluntary character of the movement and its democratic set-up and innate loyalty of members who evince willing readiness to bear responsibility for the transactions of the society are no less striking. The stability of the society is assured by the pledge loyally carried out to do all the business through the society alone. In the agricultural industry of Denmark, cows top the list as a source of income. Then come the pigs and hens stand last. The products of animal husbandry such as butter, cheese, bacon and eggs sum up the chief agricultural industry of the Danish Farmer and absorb his whole energy. Many of the private dairies in Denmark failed as the suppliers of milk were disloyal to them and they also suffered from lack of adequate capital. Further, the private dairies could not also ensure proper quality of the milk as the suppliers themselves had no interest in their working. The first Co-operative Dairy was established in 1875 which was soon followed by another in 1882 in H-Jedding in West Jutland. This was organized by a young man by name Steller Anderson. H-Jedding is now the

centre of co-operative dairying. The organizers were not in the first instance, conscious of being pioneers in the field as they were practical men concerned with making butter and not history, and the dairy seems to them a natural development. As the private dairies had failed the co-opertive ones had a clear field. But their working in the beginning was not smooth, and they encountered plenty of prejudice from the farmers themselves. The larger banks would not help them so that loans had to be scraped up from village savings banks and private sources. Machinery and buildings required ten years to pay off the cost and many did not want to bind themselves for such a long period to an unknown enterprise. The one vote per member principle was opposed by the larger farmers who desired voting to be based on the number of cows maintained. Small wholesalers were not forthcoming to offer higher prices for the products of the dairy. There were even religious objections. The Evangelical Inland Mission objected to Sunday deliveries, but leaders on their side could invoke a strong neighbourly tradition, as the dairy was regarded as a village community institution. It may be noted that Danish dairy farming is not like the grassland dairying of Ireland but it is based on arable farming and the heavy import of feeding stuffs. Dairies make butter only and pigs are reared and fattened on skim milk from the dairies. As a result, milk flows throughout the year almost with the regularity of the industrial product, and many of the problems of the grassland dairymen are, therefore, absent in Denmark.

Dairying is virtually a co-operative monopoly in Denmark. Once started, dairies sprang up everywhere, and within 3 years there were 84 of them. By 1890 their number rose to 600 and towards the turn of the century their number increased to at least 1000. At the time their total number in existence had been estimated to be in the neighbourhood of 1800. But owing to imports difficulties, the smaller ones had to be closed. By 1953 their number had come down to 1497. Of these 1497, 1255 or 84% of all local dairies were co-operative and they handled 90% of all milk delivered. Total annual milk production of Denmark is over 5 million metric tons. Of this quantity about 2/3rds is converted into butter, 11% into cheese, 3% is condensed and the rest is sold as fluid milk or consumed on the farm. The co-operative dairies had in 1953, 1,80,000 members or an average of 142 per society. Turnover in 1953 was nearly 98 million lbs. The local

dairies are amongst the oldest co-operative dairies in the country. Like the rural retail stores, they tend to be too small and too many for modern conditions. Year after year their number declines, as the smaller and the less efficient units are either closed down or amalgamated with larger units. In 1955 an average local dairy enaged in butter-making had the followihg figures:—

Number of members	144
No. of Cows.	1147
Turnover of Business.	78,600 lbs.
Milk handled.	3,580 tons.
Cost per ton of milk.	2.73 £
Net income.	£ 20.06

15. How a Co-operative Dairy Works ? :—A co-operative dairy works on the basis of unlimited liability of its members. An average dairy has a memberaship of about 144 producers with approximately 1000 cows and an annual supply of about 2½ million Kg. of whole milk. Members enter into contract with the society for supply of all milk except that which is needed for domestic consumption for a certain length of period which is usually ten years. Members of a co-operative dairy raise the capital required for erecting machinery and other equipment by obtaining a loan from a commercial bank or a savings bank on their joint and several liability. The loan is guaranteed by the members of the society in proportion to the number of cows owned by each. The working capital is provided by the members by the payment of a premium of 15 shillings per cow owned on which no interest is paid. The loan borrowed is repaid in annual instalments from the profits of each year. When the first loan taken is thus repaid wholly from the profits of the society, a second loan is obtained from the bank and the proceeds thereof are handed over to the original members who had stood guarantee to the first loan. When the second loan also is repaid in a similar way a third loan is taken and the process is repeated indefinitely. This method places the original members on whose joint responsibility the loan had been taken in the first instance, in an advantageous position, and the new members are required to contribute towards the working capital in the form of premium prescribed referred to above. The society's van goes round and collects the members' milk daily which is tested and later pasteurized. The cream is separated

from the milk and then churned. Butter and buttermilk are thus secured. The skim milk and buttermilk are returned to members who generally use the same for feeding cattle and pigs. The milk is paid for on the basis of the amount of butter-fat it contains. In cases where the milk of any supplier is found to contain less than 2.8 per cent. of butter-fat instructions are sent immediately to the supplier to rectify the defect and to pay greater attention to his milch cows. Dirty feeding and adulteration of milk as well as failure to comply with the obligation to deliver milk daily are punished with levy of fines; and persistent defaulters in this respect are also expelled from the society. Payments for unskimmed milk delivered to the society are made once a fortnight, but as the members take back skimmed milk and the buttermilk which are valued at fixed prices, the charges for these are deducted from the price of the unskimmed milk. Fresh milk is delivered each day to the creamery which is owned by a co-operative dairy where cream is separated from the milk. The manager of the creamery is authorized to refuse the milk which is not up to the standard for purity and quality. The supreme authority of a co-operative dairy vests in the general meeting of members at which each member has one vote, irrespective of the size of his herd. There is a managing committee consisting of nine persons elected at the general meeting of the society. Three members of the society retire annually by rotation, but they are eligible for re-election. Disputes between the individual members and the society are decided by the managing committee subject to an appeal to the general body whose decision is final. A technically trained manager is appointed for the actual operation of the plant. The committee appoints an auditor or an accountant who examines the accounts of the society once a month and submits his report.

Federations of Dairies :—Production of butter is the chief industry of Denmark and about 91% of the milk is processed into butter. There are 24 districts in Denmark and there is a district society in each of the districts. Co-operative dairies in each district are affiliated to the district society and the district societies are in their turn affiliated to one of the three provincial associations which are united in the National Federation of Danish Creameries. This Federation is a member of the National Council of Co-operation. In addition to those, there are 9 butter export associations. The dairies bind themselves to supply all the butter

except that quantity which is required for domestic consumption. The export associations maintain their own agencies in foreign countries. About 54 per cent. of the total Danish butter trade is undertaken by these co-operative butter export associations and 66 % of the exports goes to Great Britain, which is the chief market. The butter that is exported abroad is subjected to a rigid test by the Government and unless it satisfies the high standard of quality laid down by the Government, it cannot be sold under the trade-mark " Lurbrand ". This trade-mark was first introduced by the co-operatives themselves. Dairies affiliated to the export associations are not permitted to withdraw from membership in the middle of the year, but only at the end and notice of withdrawal is always insisted. The supreme authority of the export association vests in the general meeting which consists of delegates or representatives deputed by the dairies. The general meeting elects the directors and the auditors, while the board of directors appoints a paid manager to carry on the business of the association. There is a Committee at Copenhagen, which includes private butter-dealers and manufacturers as well and the business of the Committee is to fix the price of Danish butter at the beginning of every week and the price is also modified or adjusted to suit market conditions in order to facilitate the quick disposal of butter, as butter is a perishable product and deteriorates quickly. The export of butter, bacon and eggs was subject to Government supervision up till 1950, through an Export Committee set up for each product, but Government decided to abolish these committees. The Farmers' organizations, both co-operative and private, felt the need for their continuance and established in consequence their own committees on the same lines as those of the Government committees. It has also been mentioned earlier that the dairies have also combined for other purposes into district associations or federations and three provincial associations. These three associations have also combined to form a Central or National Federation of Danish Dairy Association. These Federations deal with all matters common to co-operative dairies in the districts and their expenses are met by a levy of contributions from the affiliated dairies. The objects of the Central Federation are:—

(1) Improvement of the quality of butter through constant experiments.

(2) Circulation of accurate information regarding the dairies

and holding competitions districtwise for improving the quality of butter.

(3) Supervision of the dairies with the assistance of experts.

(4) Preparation of statements showing the cost of production, the amount realized by sale and the amounts paid to members for their milk by different dairies.

(5) Carrying on propaganda by delivery of lectures and holding discussions at various places in the district.

The Danish Coopa-ative Dairy Movement is composed of a large number of small units scattered throughout the country, and exhibits high degree of integration by complex and many-sided federal development from local societies as shown in the following diagram.

1255 Co-operative Dairies and 90 Private
Local Dairies

- 900 C. Dairies
  - Purchasing Federation & Machine Factory.
- Over 400 Dairies
  - Packaging Factory
- All Dairies
  - 24 Dist. Unions
    - Dairies' Federation
- 766 Dairies
  - 9 Butter Export Societies.
    - Butter Marketing Federation (of which a Butter Export Committee is formed)
- 49 Dairies
  - 3 Federal Storage Societies.
    - Cheese Marketing Federation (of which Cheese Export Committee is is formed.)
- 300 Dairies
  - 7 Federal Drying Societies.
    - Casin Marketing Federation.

The Dairies' Federation, as could be seen from the objects set forth, is not a trading body and in pursuit of its objectives, it has undertaken a variety of tasks concerned with production and marketing leading to centralized administration, e.g., compilation of statistics, provision of architects accountants and other business consultants' services for dairies and promotion of associative action in the marketing field. In its early years the Federation mainly conerned itself with activities relating to successful export

marketing of butter—homogenous and high quality product—at standard prices according to grade and adoption of a national mark as a guarantee of quality to purchasers. A very important aspect of Dairies' Federation's work has been the promotion of federal action on the marketing side. In its early years the dairy movement regarded itself as a processing organization and was content to sell butter through private wholesalers and exporters, but there was the need to improve the quality of exported butter and it called for incentives in the form of standard price according to grade. The private trade, however, was reluctant to provide the incentives. So, the dairies proceeded to set up their own Federal Butter Export Societies, of which there are nine now, with an affiliated membership of 766 local dairies. They handled about 65 % of the total butter export and over 60 % of the national trade in butter. Although this is a high proportion, still a substantial portion of butter is exported by the private trade because of the long-established contracts between the co-operative dairies and the private merchants. The Export Societies are regional trading unions of local dairies and the local dairies (1) undertake to deliver all their butter to the export society, (2) accept joint liability for the finances of the Export society in proportion to their butter delivered to it. The Export Society makes provisional weekly payments to its suppliers according to the published market prices and at the end of the year distributes most of the net surplus as a final payment while retaining a small percentage for purposes of consolidation. The total payment made by the Export Societies to their affiliated dairies is on an average higher than that paid by private wholesalers. Handling over 50% of the trade, the export societies are in a position to dictate the wholesale price levels for butter. The Council of Representatives is the main organ which elects the Managing Committee of the Export Society and member-dairies send one delegate each to the Council. Each Export Society carried on its business till recently independently, but during recent years further centralization of butter marketing has occurred. The Export Societies had for a long time their own non-trading Federation but now they have also combined for a major part of their export trade in a marketing central. The Federation of Butter Export Societies has three organs, viz. (1) the Council on which Export Society has 3 members, (2) the general meeting attended by Council members and by the Managers of

each Export Society and (3) a three-member Executive Committee elected by the General Meeting including a Manager. Although the statutory Marketing Boards were abolished by Government in 1950, it has already been mentioned that the voluntary export marketing committees or Boards on which producers have a majority representation were set up for various commodities particularly for butter, cheese, cattle and meat. The Dairies' Federation led the move to set up Export Boards for Butter and Cheese, which has given the Co-operative Dairy Movement an effective control over export marketing policy, particularly in relation to the negotiation of trade agreements with Denmark's main markets for dairy products. The final step in federal marketing development was taken in 1955 as a result of the change in the main British Market from Government to private importing of butter. Despite this change, the centralized regulation of exports through the Butter Export Board was maintained. The butter export society continued to work with the Board. At the same time, they proceeded to set up a new body—the Butter Export Societies' Marketing Federation—to handle the whole of their export trade with the United Kingdom.

The Lur Brand Trademark:-It has been already mentioned that co-operative dairies have adopted the trademark " Lur brand " for their butter. In the beginning of the twentieth century, the name of Danish butter was greatly abused, and the Danes founded in 1900 an assoication known as the " Butter Control Association" for the purpose of adopting a trademark to be registered both in Denmark and in England. This Association adopted " Lur brand " as the Danish trademark for butter. In 1912 the State passed a law whereby no butter could be exported from Denmark which did not bear the stamp of " Lur brand ". The standard prescribed by the Association is strictly enforced. Butter marked with " Lur brand " has to satisfy the following conditions:—

(1) It must be prepared from pasteurized cream.

(2) It must not contain more than 16 % of water.

(3) It must contain no other preservative than common salt

Before a dairy is admitted to the membership of the Butter Control Association, it is required to send a cask of butter three times a year for the purpose of testing its quality. When a dairy receives a notice, it must send on that particular day a cask of butter made on that day alone. No time is given to a dairy to

prepare butter for the test alone. Thus high and uniform quality of butter is due to a rigorous system of testing. Every dairy pays a small sum of 5 shillings as affiliation fee. The working expenses of the Butter Control Association are met by the members in proportion to the quantity of butter exported by each. The actual export of butter is in the hands of wholesalers from whom the Danes get the best price for their butter. There are other organizations in Denmark which are not co-operative but which foster the co-operative movement and the dairy industry. For example, there is a wholesale butter quotation committee whose business is to keep the Danes informed of the price of butter prevailing in the English market. There is also a Statistics Association which prepares the statistics not only in regard to prices but also in regard to costs of production. This Association publishes weekly rates of different dairies in the country. Its chief aim is to see that quality of the Danish butter is maintained at a high competitive level.

Reasons for the Outstanding Success of Co-operative Dairies :—The following factors have contributed to the remarkable success of co-operative dairies in Denmark:—

(1) The co-operative dairies are organized on the basis of unlimited liability. This implies a greater stake on the part of the well-to-do members of the society, who are inclined, therefore, to take keen interest in their affairs since they would stand to suffer the most in the event of the liquidation of a society. The well-to-do members generally form the executive of a society, with the result that efficient and proper management is ensured.

(2) The high sense of loyalty evinced by the Danish farmer to his society accounts for the success of a co-operative dairy; Regular payments for milk supplied contribute very greatly in inducing loyalty on the part of members. The Danish farmer binds himself to supply to the dairy all the milk he produces except that quantity which is required for his domestic consumption.

(3) Every effort is made to improve and maintain both the quality and quantity of the milk yield of cows. Great attention is also paid to the proper feeding of cows which would ensure not only butter yield but also flavour and fat content in milk. The cow is fed on grains, cultivated grass and concentrates imported from abroad. A Danish farmer is also assisted by what are known as " Control Societies " that go round the farms and test the dairy

cattle. Attempts are made to eliminate the cows that prove unprofitable. In order to improve the breed of cattle, formation of cattle breeding societies is encouraged by Government.

(4) In order to keep up its quality, milk is paid for on the basis of its butter fat content.

(5) Butter is manufactured under modern conditions and on scientific lines and experts are employed for the purpose. The federations also help the farmer considerably by keeping them well informed on all matters relating to scientific dairying. Technically Danish dairying is very much advanced and makes the use of the latest development in technique. Agricultural colleges in the country provide sufficient training to the sons of farmers in this field.

(6) The Butter Export Associations provide the best marketing facilities and prevent unhealthy competition not only among the co-operative dairies themselves but also between private agencies and the co-operative dairies and between the farmer and the consumer. Thus a small farmer can sell his produce as economically as the larger one can.

(7) All butter intended for export has to be sent under the trademark " Lurbrand ".

(8) What has been stated earlier regarding the Co-operative Danish Dairy Movement goes to show how success has been achieved through Co-operative Federal Development. At the base is the typically co-operative pattern of small processing units scattered throughout the country. But through Federation these numerous Miscellaneous Local Societies have—

(1) put themselves under the democratic leadership of a single National Federation which is strong enough not only to co-ordinate and rationalize the activities but also to represent their interests at the national level;

(2) further developed and diversified their production by creating larger scale, federal, processing and storage plants;

(3) cut their own cost by building up their wholesale manufacturing organization, and pushed forward their control of the products, step by step carrying the private dairies along with them.

Now it is largely the producers' own representatives who negotiate direct with the foreign buyer. Thus the private exporters and the governmental agency are superseded.

Production of Cheese :—A Milk Products Factory was pur-

chased in 1951 by a group of dairies in North Jutland. The underlying purpose was the processing of surplus milk and the factory is one of the group-owned factory. This body furnishes an example of joint action both by private and co-operative institutions, as out of 110 dairies owning the factory, 95 were co-operative and 15 private. The main product produced is cheese with toned milk and plastics as side-lines. The factory enters into a contract with each dairy for delivery of a minimum quantity of milk all the year round. The dairy in its turn allots among its members quotas of milk to be delivered. Dairies are allowed to exceed the quantity contracted and they do so invariably in the flush season. This factory made a bad start with an inexperienced manager and was practically on the point of being closed. But at the General Meeting the dairies agreed to send the skimmed milk for nothing in order to put the factory on its feet again, and a new chief was also put in charge whereafter the factory began working properly. It had a turnover worth £ 7,50,000 and 75% of it was meant for export. None of the dairies affiliated to it has withdrawn, although they are free to do so, apart from one or two that have closed down.

Cheese Marketing:—(a) Development of cheese marketing of the Danish Co-operative Dairy Movement is largely a post-war development. Formerly cheese production was secondary to butter and was a side activity run personally by the Dairy Manager who marketed it through private wholesalers and exporters. Greater scope was afforded by the Post-war market and the Dairies devised ways and means to increase their sales. They set up a Central Cheese Marketing Federation with both trading and representative functions. The membership of this Federation comprised three Jutland Federal Cheese Storage Associations to which were affiliated 49 Local Dairies. Each Federal Storage Society has three representatives on the Council and 2 over its Managing Committee. Member-organizations undertake to sell all their cheese through the Federation. In 1955 the Federation set up a new Marketing Department for local dairies with their own cheese stores. These dairies were directly affiliated to the Federation, in addition to the 49 dairies affiliated indirectly through their Federal Storage Societies. During 1954-55 the Federation received over 5000 tons of cheese from its members and procured an additional 2400 tons from outside in order to make up bulk orders

for the particular branch. About 70% was exported and the rest was sold on the home market. The Federation handled only 10% of the National Trade in Cheese as the main co-operative organization in the cheese market.

Casein Production and Marketing (b):—Dairies have been producing casein to an creasing extent after the War with the result that a Casein Producers' Co-operative Marketing Federation came into existence. Its object is to market casein on behalf of member-associations which may include any dairy producing casein and drying it on its own account and also associations of dairies undertaking casein drying on a federal basis. Its membership included 15 dairies and 7 federal societies for casein drying with an affiliated membership of 300 dairies.

Danish Purchasing Federation (c) :—The Danish Co-operatives were regarding themselves primarily as production units and as such they were alive to the need for bulk purchase of farm requirements in order to reduce cost and ensure good quality supplies. The co-operative wholesale of the dairy movement—the Dairies' Purchasing Federation—was set up as early as 1901. Its membership was open not only to dairies but also to consumer organizations outside the dairy movement. Members assumed limited liability and were not bound to make all the purchases from it. Conversely the Federation was also free to engage itself in the non-member business, though members only were eligible for bonus. The Federation comprises at present 1800 members, about half of whom are co-operative dairies. Its area of operation extends to the whole of the country which is divided into districts. The members in each district elect one representative to the Federation's General Meeting, which elects a five-member Managing Committee. Supplies are distributed through 11 trading branches in different parts of the country. Collaboration between Branch Managers and district representatives has done much to regionalize the organization and keep it in close contact with local dairies and their needs. The federation has acquired a dominant position in many of its lines of dairy requirements—such as chemicals, machines and other equipments. It has also been operating a factory and a workshop for dairy machinery which accounted for a turnover of nearly £ 1 million out of a total turnover of £ 2 million in 1955. It also owned a saw-mill which was transferred in 1955 to a new Federal Co-operative—the Danish Packaging Factory—which has

been established jointly by the Purchasing Federation and the Danish Federation. By the beginning of 1956 some 400 dairies took up shares in the new factory. The Purchasing Federation is also associated with a private company in the construction of a foundry.

Co-operative Bacon Factories :—The old adage that " the pig hangs on the cow's tail " pithily sums up how bacon industry followed in the wake of co-operative dairying in Denmark. Increased butter production results in ample supplies of skim milk and butter-milk for feeding the pig, and so the bacon industry developed side by side with the co-operative dairy industry. Thus having succeeded in establishing butter production co-operatives, the Danish farmer succeeded to a greater extent in the production of bacon. By applying the same co-operative principle to the organization of bacon industry, the Danes have overcome competition also in this field. During the period of increase in the business of dairying, there was also a natural increase in the number of pigs. Till 1895 Denmark exported pigs to Germany where they were killed at Hamburg and bacon was exported to England. Up to 1887 the English market was supplied with bacon manufactured by private factories. In that year the first co-operative bacon factory was founded at Horsens in Zealand. The experience which Danish farmers had in regard to the co-operative dairying stood them in good stead in the establishment of co-operative bacon factories, as they had learnt a lesson to combine against the financially strong private concerns. Many obstacles were put in their path by vested interests in the earlier stages, but they were all overcome with a dogged determination. The opposition to the co-operative bacon factory was at one time so strong at Horsens that the commercial banks refused to grant loans to them and the necessary financial resources had to be obtained from a savings bank elsewhere. A great number of piggeries were built in the early nineties of the last century, and the private concerns had ultimately to surrender in favour of the co-operatives. With the prohibition in Germany of importation of live pigs, the export of pigs ceased completely and bacon began to be exported to England. After 1905, the situation became more favourable for the development of co-operative bacon factories and they began to make steady progress. Up to the year 1949 the number of co-operative bacon factories was 75 with a membership of 20600 and a turnover of Kronor 1056

million. The number of factories by 1952 stood at 62, of which 14 were private factories either producing for the home trade or for producing pig-meat for export. The private factory, it may be noted, could not hold its own against the co-operative if methods of fair competition were followed. At the end of 1952 membership of the factories stood at 1,95,000 which included every Danish farmer practically with an exception of a few.

Bacon Factories :—By 1955 the total bacon factory turnover rose to £ 106 million which exceeded that of any other co-operative sector. In regard to their general organization and federal development, the bacon and dairy movements are very much alike. But one noticeable difference between the two organizations is that founders of the bacon factories set an example to all subsequent factories by trying to build big rather than small units. Though the bacon factories like the dairies handle about 90 % of the national trade, their number was only 62 as against 1255 dairies. The average size of a bacon factory is quite a big one as could be seen from the following statistics:—

No. of Members.	3145
No. of Pigs handled.	1,02,827
Turnover of Business.	£ 1.7 million.
Paid to Suppliers.	82 % of turnover.
Transport Cost.	1 % " "
Working Cost.	3 " "
Reserves (New Plant)	1 " "
Secondary Activities.	12 " "
Stocks carried forward	1 " "
No. of employees.	127

In contrast with the co-operative dairies—which are mainly concerned with production, leaving the marketing function to be performed by federal bodies—the larger bacon factories were from the very start intended to combine production with marketing in the same organisation. In respect of the English market the bacon factories combined to set up their own co-operative agency—the Danish Bacon Company—with the object of bypassing the British wholesale trade and selling direct to large retail interests. In its present form this agency consists of a British Company associated with a Danish Export Company jointly owned by half

the number of bacon factories. It also handles large quantities of butter and eggs as well as bacon, and its turnover was about 1/3rd of the total bacon factory turnover. During recent years there has been a considerable development of special production, purchasing and marketing undertakings, jointly established, owned and managed by regional group of bacon factories on a federal basis usually designated as co-operative societies with limited liability. Most of them market bacon, factory by-products and carry out further processing of pig-meat, e. g., canning and sausage-making. Some also manufacture packing material. These special undertakings are becoming increasingly important under modern conditions. The total turnover of 18 such understakings amounted to 15% of the turnover of the co-operative bacon factories themselves. Some of them had a considerable export of egg-marketing business—normally the preserve of the National Egg Marketing Society—and several factories also run retail butchers' shops. Finance and rationalizing in face of rising costs are the problems that confront the bacon factories to-day. The Balance-sheet structure of all the 62 bacon factories in 1952 is outlined below:—

(Vide page 12 of the Occasional Paper No. 16 H. P. F.)

Liabilities		*Assets*	
		Fixed Assets.	21%
Owned capital.	25%	Debtors.	44%
Supplies	31%	Cash & Bank Balance.	5%
Long-term Loans.	15%	Stocks.	20%
Creditors.	29%	Others.	10%
	100%		100%
B. S. Total £ 15 million.		B. S. total £ 15 million.	

The following table indicates the cost position at the end of 1955 for different turnover groups of bacon factories. The average figures are given below:—

Groups	No. of Pigs handled per year per factory	No. of factories	Total working costs (shillings per pig)
1.	Over 1,25,000	17	10.5
2.	100- 1,25,000	7	11.2
3.	75- 1,00,000	12	11.6
4.	50- 75,000	11	12.8
5.	25- 50,000	14	13.7
6.	Under 25,000	1	15.3

Working of a Co-operative Bacon Factory :—The Danish Bacon Factory hardly appeals to the imagination in the same way as the dairy does. Compared to the charm of the rural dairy, pig-killing is a gory business far from romantic; the bacon factory is less attractive to the members. As a rule, it is a little distant and pigs are not despatched daily from the farm. Though the Bacon Factory followed close on the heels of the dairy, it had a different early history. While co-operative dairies had the field to themselves, there were already private slaughter-houses for killing pigs. But they gave the farmer an ill service and buying pigs was nearly concentrated in the hands of private dealers. It was the principal of a high school of Herins in Jutland, who first proposed and carried into effect the idea of a co-operative bacon factory. This happened in 1887, when the economic depression was at its worst. The Project had to be launched because of the farmers' desperation, and it was only after a tough fight with the private interests that the co-operative bacon factory established itself. The working of a co-operative bacon factory is similar to that of a co-operative dairy. The members of a co-operative bacon factory are recruited mainly from the ranks of the occupiers of medium-sized holdings. The members are jointly and severally liable for the debts of the society. This liability is limited to a fixed amount for the society as a whole. As a bacon factory requires a large amount of capital, its area of operations has to be kept wider and more extensive, with the result that members are not acquainted with each other. The area comprised in a bacon factory is subdivided into sub-areas, and the members resident in such local sub-areas undertake financial responsibilities for the transactions

of the factory that arise in such sub-areas. The co-operative bacon factory is a producers' organization, and, as such, follows the principles of a co-operative producers' society. The members undertake to deliver the stipulated number of pigs to the factory for a specified period, say, from five to twenty years. Each factory has its own slaughter-house—abattoir—with complete modern equipment and a curing house and machinery for the manufacture of by-products. As the area of the factory is large, transport charges are borne by the factory itself and not by the individual. This is particularly meant to relieve the members who reside in areas far away from the factory from hardship caused to them. When the pigs are delivered to the factory, the member is paid on the basis of the hog quotation fixed by the factory. This payment is generally proportionate to the quantity and the quality of the pig that is slaughtered. Hogs weighing from 176 to 220 lbs. are alone accepted, as they furnish the type of the bacon in demand in the English market. Every pig killed in Denmark is required to be inspected by a Veterinary Surgeon. The practice of paying on the basis of dressing yield and quality of hogs enables the marketing co-operatives to put on the market a better type of bacon and get a premium in the British market. The farmers are naturally compelled to deliver a uniform pig from which high-grade bacon can be extracted. The co-operative bacon factory does not waste any by-product. Lard-refining and susage-making and manufacture of manure out of blood and bones are universally undertaken. The members assembled in a general meeting of a co-operative bacon factory elects a Management Committee, which chooses its own chairman and vice-chairman. The decision of the Managing Committee in all matters is final, subject to the decisions of the General Body. But the day-to-day business of the factory is carried on by a Managing Director, who works subject to the general control of the Managing Committee.

The Central Organization or Federation :—The co-operative bacon factories in Denmark have formed a Federation at Kopenhagen under the title of the "Co-operative Bacon-curers' Association." The General Body of this Association consists of three representatives from each of the factories. It elects the Executive Committee of five members who are drawn from the personnel of the Managing Committees of the various bacon factories. The day-to-day administration of the affairs of the

Federation is carried on by the Executive Committee. The main functions of the Federation are:—

(1) To arrange for the cheap transport and insurance of bacon exported to foreign countries.

(2) To effect insurance of employees against accidents in factories.

(3) To resort to arbitration in case of disputes among members of factories and between one factory and another.

(4) To prevent strikes on the part of employees of factories.

(5) To undertake measures for improvement in the breed of pigs.

(6) To act as a liaison between the co-operative bacon factories and the State Ministry concerned.

The Federation has undertaken cheap insurance for bacon and has thus enabled bacon factories to effect savings to the extent of 20 per cent. in the cost of insurance. Again, if there is a strike in any factory, other factories come forward to bear the loss and show their practical sympathy by sending workers to do the work in the affected factories. The Federation has been also mainly responsible, along with the bacon factories, for improving the breed of pigs. It has maintained also a number of breeding stations from which farmers can obtain breeding animals. It has also maintained experimental centres for ascertaining the breeds and feeds which would ensure a greater increase in the weight of pigs. The Federation arranges for the periodical holding of exhibitions in order to assist farmers in effecting improvements in the breed of pigs for the right kind of bacon required. The Federation purchases all the requirements of bacon factories which have established in England their own marketing organization under the title of 'the Danish Bacon Companay, Ltd.' The latter has branches all over England and Scotland and maintains a fleet of trucks for the purpose of distributing bacon. It handles about 30 % of the total quantity of Danish bacon imported into England. 50 % of the profits of this Company are shared by 23 members in proportion to the business done by each and the remaining 50% is distributed among the customers who make continuous purchases from the Company for forty weeks and in proportion to the volume of trade done. The expenditure of the Federation is borne by the bacon factories in proportion to the number of pigs slaughtered. In order to guard against losses arising out of bad debts, the Mana-

ging Director of the Danish Bacon Company is personally held liable to the extent of 50% of losses.

The Bacon Factories Federation :—It may be noted that the federation is not merely an advisory and consultancy body but constitutes a considerable degree of centralization in the marketing field. It is equipped with a secretariat and specialized sub-committees. The Managing Committee of the federation must consist of bacon factories managers as well. Its activities over the past years have included the following:—

(1) Introduction of a standard system of grading, weighing, and cutting bacon and paying producers a standard price according to dead weight and quality.

(2) Introduction of standard labour regulations for all bacon factories and promotion of purchasing federations for supplying both co-operative and private bacon factories a decent proportion of the requirements, e.g. machinery, etc.

(3) Participation in the national advisory committee for pig-breeding.

(4) Pioneering of measures—subsequently enforced by legislation—guaranteeing the high quality of all export bacon e.g. veterinary control at all bacon factories, and adoption of national mark for all first quality bacon and Government inspection of all bacon exported.

In 1950 centralization of bacon marketing received a further phillip with the formation of a Bacon Marketing Board—the Bacon Factories Marketing Association—in place of the Government Bacon Export Board. On the Board of Bacon Factories Marketing Association co-operative bacon factories have 9 representatives of private factories and of the farmers' unions have 2 representatives. In pursuance of its objects—the promotion of the members' interests in exports, the association either exports the bacon itself or through other exporters and negotiates trade agreements with foreign markets. The federation provides the national leadership of the bacon movement as is the case of federation of the dairies e. g. Bacon Factories Research Institute. Mention may be made of vigorous approach towards the rationalization of the bacon industry during recent years by the establishment of research institute which works not only for bacon factories but also for canning factories; 90% of the bacon factories are co-operative and the remaining are private concerns. Similarly 50% are co-operative canning factories and the remaining are private. This indicates the cordial relationship existing between

the co-operative and the private sectors of agricultural business in Denmark. The institute is financed by subscriptions paid by the factories which also pay part of the cost of any special work projects in which they are interested. The main activities of the institute are (1) research into the processing side of the industry viz. technique of killing and canning, (2) laboratory tests—e.g. testing samples from bacon factories and testing the quality of sample lots of all bacon and lard exported, (3) information and training e.g. circulating bulletins on new technical methods and running training courses for factory managers, foremen, office staff etc. The course includes two days' session to inform the staff of any new developments in their particular fields and special courses are also held on costings, systems of payment and work simplification.

Progeny Testing Stations:—The Co-operative Bacon Factories have also built progeny testing stations which were 3 in number. The progeny bacon pigs sent by different breeders are patterned under standard conditions and on a standard feed of barley and skimmed milk so that the good breeds stand out. The experiment starts at 20 K. G. (44 lbs.) of weight and ends by killing at 90 K. G. (198½ lbs.). The number of feed units required to reach this point is counted. The bacon factory covers any losses incurred by the station and allows any surplus devoted to experiment. Some 260 breeders have contracted to send the progeny to this station which buys them at market price and sells them to the bacon factory at market price retaining the difference in price as income. The object of these progeny stations is to promote the breeding of good lean pig that reaches the required weight with a minimum of feeding units.

EGGS AND POULTRY

The Danish Egg Export Society :—The hen is the third important animal of the Danish farmer. Poultry-farming is a special feature of Danish agriculture, and the societies encourage it by selling to members suitable breeds of fowls at low prices. They further advise the members on the introduction of fresh blood and pay sufficient attention to suitable housing and feeding. The most important business of the societies is the sale of eggs on behalf of members. Eggs are handled and graded on behalf of members

before they are put on the market. Thus they are described as egg-selling societies. 90 % of the eggs exported go to Britain and the question was how to export fresh eggs. Danish egg exports to Britain started in 1865 but their bulk was small and quality appalling. They passed at least through four different hands on their way to the British housewife whom they reached in a rotten condition. It was a farmers' association that first sponsored an egg co-operative. This was at Vijle in Jutland and there the Danish egg export society was founded in 1895. Within a year the Society had 250 groups and by 1902 something like 600 sprang up with 36000 members. To ensure quality the Society stamped its eggs, so that each could be traced back to the producer–a necessary precaution in the early days. Owing to the support given to the Society by the C. W. S. in England, the Society was assured of steady market and the Danish eggs became the best from being the worst. This was achieved against the opposition of private vested interests which used every means to kill the Society. They copied its stamping and tried to entice the groups away by offering higher prices, and warfare of this kind has continued right up to the present time. The society had also to face competition from within, for other egg societies were also formed and various bacon factories took also to the marketing of eggs. Despite these obstacles, the Society has continued to grow. In 1953 it had 1192 groups showing an increase of 128, compared with the figures two years before. Its memberhhip rose from 60,000 to 70,000. Turnover went up in value by 2 million pounds from 6·4 to 8·4 million pounds. Bonus paid was roughly 1 shilling 9 d. in the £. The Society had 29 packing stations, each with its attendant groups. At the annual general meeting the group delegates from each packing station area elect one representative to the Council which in turn elects a Managing Board of 7. Nearly 50 % of the groups consist of local co-operatives and it has been the practice for village co-operatives to buy their members' eggs and the export society woke up rather late to the fact that it was competing with members of its own class who were its best friends. Realizing its mistake, the Society has been trying to rope in, but it has not found to be very easy in practice, as the merchants were always a disturbing factor and are ready to offer high prices at any suggestion of a changeover. This is the merchants' cheaper form of competition for they can always recoup themselves by offering lower prices in

areas where the Society is the weakest. They can also adjust their price at will, while the Society must fix a national price and publish it in advance. Generally the merchants' prices are a little above the Society's, which means that groups must offer the same price and resell to the export society at a loss hoping later to recoup themselves such loss out of the bonus they might receive on the sales effected. But as was demonstrated during recent years, it is the Society's price that regulates the merchant's price when the export society raised its prices. In this way it serves all the producers including the non-co-operators. One result of the struggle has been the abolition of the stamping system. It led to discontent among producers and put the Society at a disadvantage. In any case, better poultry-keeping now practised has gone a great way to make stamping superfluous, because average eggs are nearly a thing of the past. It may be noted that the export society has worked hard and tried its level best to avoid internal competition. It has managed to incorporate the smaller societies, but bacon factories still remain aloof. Still, however, two bacon factories in Jutland have joined the export association in that they have brought their egg departments into the Society as groups. Though the export society has not achieved cent per cent success, there is no doubt that it is gaining ground. Every year brings more farmers who sell their eggs co-operatively. As compared with Britain, Denmark has lagged far behind in the co-operative sale of eggs out of the trio—the cow, the pig and the hen. This is due to the fact that there is no distinct class of poultry farmers unlike in Britain. On a Danish farm, the cow and the pig reign supreme. Poultry is an extra job for the wife and this explains the backwardness of egg-marketing. The egg export society has only 28% of all egg exports and 90% of eggs go to Britain.

Poultry Packing Association :—A co-operative poultry packing station is a product of the depression. When the Danish farmers compelled by necessity took to new means of self-help, the first station was started in 1931 and the number rose to four, and that is still the number even today, and they serve the country between them. In 1954, they packed nearly 6 million birds, worth £2 million. 72% of the trade is for export. Competition from the private factories is keen, though they are not as large as the co-operatives. The Association has so far captured about 50% of the trade, which is gradually on the increase. The object of

the Association was to supply the hens that were surplus long before the broiler began to overtop the hens. The trade in poultry and broilers has infinite possiblilities of development.

Co-operative Cattle Marketing :—The Danish Farmers' Cattle Sales Association is also a product of 1930's. Prior to this a group of societies were founded in 1916 known as the Danish Cattle Export Association and it undertook home trade as well. Its object was to do away with the middleman and ensure the farmer a fair price for cattle. In 1954 it was a Federation of 37 local societies with a membership of 86000 and it handled 2,11,000 beasts, 1,93,000 of which were cattle and the remainder pigs, horses and sheep. Its turnover of business of £ 87,00,000 was equally divided between home trade and export, but the Export Association figures are rather less—38000 members in 20 local societies and a turnover of £ 57,00,000. Both the societies act as market agents only and they do not themselves buy and sell.

Co-operative Supply :

1. Feeding Stuffs, fertilizers, cement and fuel :

The competitive efficiency of Danish production for export depends not only on the co-operative marketing organisations but also on a low cost supply system. Co-operative supply in Denmark dates back to the period from 1900-1914 and is younger than the co-operative marketing movement. From the very beginning it tended to adopt wide regional or national forms, and its various component parts were built up piece meal around a single commodity group as and when the need arose to fight private trade monopoly and remove defects in standards legislation which prevented the Danish farmer from processing, supplies of guaranteed quality at an economic price.

(a) **Feeding Stuffs :**—Feeding stuffs were the main commodity group to be organized on co-operative lines. There is no national trading or consultative federation for feeding stuffs and the country is covered by five independent regional wholesales handling over half the national feeding stuffs trade. Their total turnover in 1955 was £ 25 million about 70 % of which was accounted for by the Jetland Feeding Stuffs Society. The five wholesales import and manufacture compounds and distribute through their branch depots to a number of local feeding stuffs societies which undertake the distribution of feeding stuffs to individuals. The latter maintains warehouses and accounts relating thereto. The structure is

usually a federal one, and the individual farmer is a member of a local feeding stuffs society which is affiliated to a regional wholesale. The basis of the whole system is (1) that the individual member contracts for a term of five years to buy all its feeding stuffs from the society, (2) the individual members stand guarantee to the central that the local society will make punctual payment within one month of delivery for supplies received from the central, (3) the individual member is expected to pay the local society within one month of receiving supplies, (4) the local society is liable for the debts of the central wholesale to the extent of a fixed sum proportionate to the number of cows owned by its members. According to the size of the guarantee capital, the local society is enabled to send one or more delegates to the general meeting of the wholesale. The general meeting elects a larger council which in its turn elects a small managing committee. In 1955 the five feeding stuffs societies had a total membership of 1,704 local societies each having on an average 60 members. All these local societies are not necessarily feeding stuffs societies but they may include local dairies and consumer stores societies which are affiliated to their feeding stuffs wholesales on behalf of the interested section of their members. Again individual farmers may also become members of the wholesales if they are prepared to accept liability in the same way as the local group.

(b) **Fertilizers :**—Co-operative supply of fertilizers was next organised on co-operative lines. The turnover of business in 1955 amounted to £ 6 million which is considerably smaller than that for feeding stuffs. The agency is a single national wholesale which imports fertilizers. It had 52 warehouses in 38 different parts of the country. It has not taken to manufacturing as was originally intended but it has also lime work. Its share of national trade in fertilizers has remained stationary for many years at 40%. The wholesale has a membership of local fertilizers societies which guarantee through their committee men to meet the liabilities of the wholesale upto a sum representing half a percent of the value of land owned by their individual members. The latter in turn contract to buy all their fertilizers from the wholesale for a term of 10 years and jointly guarantee punctual payment by the local society for supplies received. Each local society sends one delegate to the wholesale. The general meeting elects a representative council of 23 members each representing a different region. The council in

turn elects a 7 member managing committee. The fertilizer wholesale is reported as having 1,732 local fertilizers societies affiliated to it in 1955. Some 400 of these were local consumer store societies. Many of the local societies were based on the existing local feeding stuffs groups. The rural consumer stores are found to be more reliable and efficient than debt collectors.

(c) **Supply of Cement** :—By the year 1911, Danish cement supply had been concentrated in the hands of international ring of private firms. The Consumers' wholesale society—the F. D. B.—was handling enormous quantities of cement and was much affected by the increases in the price of cement but it was helpless as it had entered into a long-term contract with the ring. The Jutland Feeding Stuffs Wholesale took the initiative in the construction of a cement factory with the support of the local feeding stuffs societies and consumer co-operatives and promote trade consumption of cement. The new venture had to contend with every kind of opposition, for example banks refused to give credit unless the factory consented to pay profits on capital instead of on a patronage basis. The cement ring started a rate war and fought a protracted court case against the F. D. B. All these initial difficulties were overcome and the subsequent history of the cement factory has been successful. It produces about 1 million tons of cement a year and operates two subsidiary works—a power station producing electric current for its own and local use and a factory manufacturing paper bags for cement and feeding stuffs. The factory had 1,460 members of which 1200 were co-operatives notably consumer societies and local feeding stuffs and fertilizers groups and 260 were individuals. Corporate members subscribe to at least £ 25 in shares and can send one delegate for every 100 of their members. Individual members subscribe to shares of value of at least £ 1 per ton of their annual consumption and may combine with four other members to send one delegate to the general meeting. The latter elects 25 members' council of representatives which in its turn elects the management committee. Surplus is distributed on a patronage basis.

(d) **Supply of Coal** :—Good quality fuel is of prime importance not only to consumer societies but also to processing co-operatives such as dairies and bacon factories. The Dairies' federal supply society has bulk purchase of coal in view from the very start but its plans to import were defeated by a private trade bycott. In 1913

the dairy and consumer movements in Jutland successfully combined to form a provincial coal supply society—which was supported by other societies later, and so it became a national society. It admits to membership any local co-operative society whose individual members contract to buy coal from the society for a period of five years and jointly guarantee payment for coal received. The local society in addition guarantees the liabilities of the provincial coal society upto a fixed sum proportionate to its coal requirements. Each member society can send a delegate to the general meeting of the provincial society. There is also a council of representatives elected in such a way as to represent each of the coal societies depot areas. The council elects the managing committee. In the Island of Funen there is also an independent Coal Society. Both the Jutland and Funen Societies have during recent years undertaken the supply of fuel-oil also in addition to coal. Sales of coal and oil are made direct to dairies and bacon factories and individual consumers through the retail store societies. The general belief that the Danish Co-operative Supply Organisation is characterised by a high degree of single commodity specialization at the local level and financial reliance on outside loans guaranteed by the membership is no longer correct. Under modern conditions the Danish Co-operative Supply Organisation is slowly moving away from single commodity specialization at the local level and is also replacing guarantee capital by limited liability and members' capital accumulated on the revolving fund system.

(e) **Seeds and Machinery :**—The rural consumers' societies act as retailers not only for the supply of cement and coal but increasingly they also function as retailers for the fertilizer wholesale and the feeding stuffs wholesale. In addition to these activities they have undertaken the retail supply of seed—which may be regarded as a noteable example of successful co-ordination of the activities of the producer and the consumer wings of the co-operative movement in Denmark. The agricultural co-operative side of the seed business is represented by the Danish Farmers' Associations the Seed Supply Society with over 6,000 seedgrower members and a turnover of about £ 1 million. The seed supply society is also linked with a number of farmers local unions that collaborate with it through their specialist plant breeding committees. Any individual seedgrower may become a member of the seed supply society if he is a member of the local union and is

recommended by it. The rules of the seed supply society and the contract signed by it with the seed grower lay down the seed production standards and trading terms. No fixed price is given to growers in advance. Instead the growers receive their share of whatever the saleproceeds may be after deducting the supply society's costs and allocations to reserve. Democratic control is exercised by each farmer of small holder local unions by sending one voting delegate for every 20 seedgrower members to the general meeting of the seed supply society. The general meeting elects a managing committee which in its turn elects a smaller executive committee. When the seed supply society started operations in 1906, the consumers' wholesale society (F. D. B.) had already entered into the field of seed growing, plant breeding and seed marketing. In 1915 the two institutions joined forces, the supply society taking over all production and the F. D. B. internal distribution. The basis of the partnership is a mutual exclusive contract under which the supply society representing the seed-growers undertook not to buy or retail seed on its own account in the home market but to hand over as much of its production to the F. D. B. as possible which the F. D. B. may need to meet its retail requirements in the current season and by advance agreement in the succeeding season. Seed surplus to F. D. B.'s requirement was to be sold on the export market by the supply society and such exports were done by the supply society through a private seed firm. As a representative of consumers of seed F. D. B. undertakes to retail sales but not to produce them on its own account. Again F. D. B. was under a further obligation to purchase all its requirements of seed from the seed supply society only which could meet its requirements and not to purchase from any other home supplier but F. D. B. was free to import seeds. F. D. B. undertook partly to distribute through its many rural consumer stores and partly through a special farmers' organisation for delivery to farmers who are not willing to trade with a consumer store. The prices at which F. D. B. could purchase and sell the seeds each year are negotiated with the supply society and are fixed with regard to prevailing market prices on the basis that the supply society—the producers organisation—receives the average price though occasional differences arise in agreeing to prices. The interests of both the parties are safeguarded under the contract by an independent arbitration committee which supervises production,

consignment and sales as a whole in collaboration with the official inspection services. Reasons why this co-ordination of activities between consumer and producer organizations works so well in Denmark are not far to seek. First, the farmers are concerned both as producers and consumers of seeds. Secondly, the partnership has to contend with the fierce competition of private trade which handles 60 % of the national seed trade nevertheless the supply society which has about 25 % of the national seed acreage and the F. D. B. handling over 40 % of the home demand for seeds are certainly far larger than any single private seed business in the whole of Scandinavia. Thirdly, the annual seed prices agreed to by the two partners determine in effect the national price for the private seed firms which do not normally issue their price lists until the co-operatives have published their lists. The supply society and the F. D. B. jointly own seed warehouses and 3 seed testing and plant breeding stations, one for horticultural and two for fodder plants. The actual testing is done under Government supervision. There is, however, no legal obligation to obtain an official certificate but in actual practice the farmer will not accept new strains without such a certificate.

(f) **Supply of Agricultural Machinery** :—In regard to one of the major items of farm supply this viz. agricultural machinery the Danish co-operative movement is still struggling to establish itself as in the pioneering days. The earliest attempt to organise co-operative supply of machinery in 1906 failed because adequate capital was not forthcoming to set up local depots. Thereafter Danish production and sale of agricultural machinery remained in the hands of private enterprisers and became subject to internal trade and price agreements. This had the effect of raising farm cost as during the recent years mechanisation of Danish agriculture has been rendered necessary owing to shortage of labour and rising wages of Danish agricultural labour in order to keep up its quality. In 1947, therefore, another concerted effort was made to establish a national machinery wholesale—the Danish Co-operative Machinery Purchasing Society. To support the new venture the resources of the co-operative organisations such as Bacon Factories, Feeding Stuffs Societies, Fertilizer Societies, Coal Supply Societies, Co-operative Wholesale Societies, Co-operative Dairy Associations, the National Co-operative Bank and Farmers' Associations including small holders' associations were harnessed and

it started with a capital of £ 100,000. Its objects included (1) purchase or manufacture of all agricultural machinery, (2) direct sale of machinery to individual members, (3) and organisation of special local sale and service groups which might in course of time function as corporate members of the society. The amount of initial capital collected was rather meagre for the purpose in hand. It had to meet difficulties even from its inception. There was also the difficulty in obtaining and retaining foreign agencies. Manufacture of a wide range of machinery was undertaken on an uneconomic scale. The opposition of the manufacturers, private traders and local dealers and smiths came in the way of obtaining home agencies except on prohibitive terms and handicapped it in deals in exchange of spare parts. As a result it was forced to carry out all after sale service from widely scattered depots which were only 14 in the whole of the country. It was unable, therefore, to offer either competitive prices or bonus on purchases of machinery which fact went to discourage farmers' support. Some foreign agencies could be secured but an American Tractor Agency was lost owing to devaluation of the Kronor in 1948 and another for Swedish Self-Binders was also lost partly due to poor salesmanship and partly due to the hostile attitude of the local smiths who were reluctant to repair the society's machines. One effect of the loss of this agency was a rise of £ 25 in the price of binders. Thus the society was forced into manufacturing and a factory was bought at Ullerlev in Fyn engaging about 40 hands but unfortunately an attempt was made to cover the whole range of machinery—ploughs, harrows, threshing outfits, elevators, farm vehicles etc.—with the result that these implements could not be produced more economically or remuneratively. This is how it was unable to offer the price advantage or hold the inducement of a bonus on purchases as compared with private merchants. In face of these difficulties and the consequent need to appeal to the sponsoring organisations for more capital the machinery purchasing society applied at the end of 1955 for membership of the principal private trade organisation—the Machinery Manufacturers' Association. By this move there was to have some compromise of co-operative principle, possibly a mutual agreement which would have given the wholesale the required whole agencies in return for granting private dealers the right to sell co-operatively produced machinery. The implications of this move was not made public

at the time and application was later rejected by the manufacturers' association on the ground that co-operative business management was different from customery trade practice; not only that but it went one step further and declared an open war in the form of bycott which excluded the co-operative wholesale —the Machinery Purchasing Society—not only from purchases of machinery but also from all other business relations with private machinery trade right down to the local dealer level. This was a direct challenge to the entire farmers' movement and it rallied support from co-operatives in favour of the wholesale society. The business of the wholesale was re-organised and an appeal to its affiliates brought fresh capital which was collected and utilized in paying its losses. Thus it made a fresh start under new management confining its production activities to two or three lines. A committee for agricultural machinery was appointed and steps were taken to build up a service of engineers and salesmen qualified to give advisory service to farmers. Publicity was also stepped up. In 1956 the wholesale was reported to have entered into a contract with a manufacturer for the first assembly line produced Danish Diezel Tractor, and it was expected that similar arrangements with other manufacturers would follow. As soon as its affairs were placed not only on self supporting basis but also began to show a surplus, the plans were under way to set up a research and development department which would work for rationalization of farm machinery supplies. In the field of tractors alone, Danish farmers are reported to be using as many as 40 to 50 tractors of different types and so there is a great need for standardizing agricultural machinery and spare parts by testing, developing and promoting large scale home production of only those machines which are suitable for Danish conditions. In a country of small farms and small holdings individual ownership of costly machines is always not possible being uneconomic hence joint use of machinery has developed both in private and co-operative spheres during the post-war period. Most of the co-operative machinery stations have united in a national federation which represented their interests and provided them with commercial and technical advisory services and arranged to supply them with fuel and lubricants in collaboration with the F. D. B. The federation (the Machinery Purchasing Society) began with 36 societies when it was started but its membership has at present been reduced to 20. Many small societies which owned 1 or 2

tractors became superfluous as increasing number of members took to buying their own tractors, but several of the servicing societies have been able to increase their turnover by concentrating on the purchase and operation of other type of machinery, manures sprays, etc. which are often hired to non-members. It has been found that co-operative machinery pools have difficulty in competing with private contractors. The wholesale has been found to be on the whole a problem child and it forcibly illustrates the unwisdom of doing things piece-meal; either a more cautious approach should have been adopted or a bolder one. In view of the opposition of the machinery manufacturers to co-operative enterprise in this field small farmers have found it easier to combine in order to buy from private dealers rather than maintain a co-operative pool.

Co-operative Credit, Banking, Insurance and Miscellaneous Societies:

1. Farmers' Credit Societies and Village Banks :—Danish agriculture and agricultural co-operatives in Denmark are not subsidised by the State. What the Government does is to give loans at special rates of interest to young small holders in order to enable them to finance, farm buildings and other equipment with a view to facilitating increased farm production. Agriculture has to borrow money in the same capital market and at the same rates as other enterprises do. Danish farmers have had to rely on self-help in this as well as in other sectors and they successfully organized credit institutions of their own. For a century or so credit has been the life blood of Danish farming. Without co-operative credit it would have not been possible to build up the co-operative structure. The two forms co-operative credit takes in Denmark is the credit society which lends monies on first mortgages and the other—village savings bank—which lends on second mortgages. The farmers' co-operative credit societies are rather regional than local credit institutions. There are 13 of them in all the largest being the Jutland Farmers' Credit Society. The Jutland Society was formed in 1851 and during the first year only 47 mortgages were issued and it took full ten years before the number of mortgages could reach 1,000. There was a steady progress until 1914 when the number of mortgages rose to 35,000. This number remained static for the next 30 years. In 1954 it had outstanding loans to the extent of £ 54 million. Of this, new loans to the extent of £ 2 million were issued in 1,648 mortgages,

the average individual loan being about £ 1,150. The system of making loans on first mortgage by the credit society is peculiar to Denmark. The credit society has got no funds of its own but simply it acts as a guarantor being an intermediary between lender and borrower. It issues to the borrower $3\frac{1}{2}\%$ or 5% bearer bonds, which are quoted on the Stock Exchange like any other security. The borrower either sells this bond in the market or pledges them to raise necessary cash. The bonds are secured on the borrower's property and as the amount of the loan is only 50% or less than the value of the property mortgaged, the bonds are regarded by investors as first class security. The borrower repays the loan in equal half-yearly instalments over a period of upto 60 years. The rate of interest actually on cash received is usually about the same as current bank rate. The credit society is organized on co-operative lines with joint liability, each member being liable for both his own and other borrowing members' debts. The bonds floated by the society are repaid by half yearly drawings. They are divided into specific series and each series is permitted to run for a term of years and is self contained for the purpose of security and drawing. In short the whole organisation amounts to this : the farmers raise the credit for themselves jointly by pledging their lands instead of raising money by individual mortgages. There is a provision in the bye-laws of the Jutland Society according to which a member may with special permission of the Committee be granted a loan in cash, but this is generally not availed of. The denominations of bonds ranged from £ 5 to £ 200. Bonds with high rates of interest are more popular because they realize more money, but the rate on cash actually received will always be much the same viz. about the current bank rate. Of the 1954 borrowers referred to earlier, 797 or nearly 41% chose 5% while only 59% chose $3\frac{1}{2}\%$. Repayment of loan before the end of the term means that the borrower has to purchase stock of appropriate face value and present the same for cancellation so that the borrower loses or gains according to how the stock has moved in the market in the meanwhile, but full repayments like this are rare because loan goes with the property and in the event of sale it is taken over by the purchaser. The result is that heavy mortgage is a good selling point as the buyer has to find less money in cash. The bonds are regarded by bankers as first class security and the co-operative banks make large investments in them. Foreign investors also

buy them in large numbers as the bonds represent thousands of hard-working Danish peasants with their worldly goods. Thus Danish agriculturists enjoy the benefit of foreign money through the bonds at relatively low rates of interest; under the law the amounts of loans issued cannot exceed 60% of the value of property mortgaged. This parentage in the case of Jutland Society is well below the maximum limit, its current percentage being under 45. The administration of the Jutland Society is rather unusual as there is both a members' annual meeting and a body of elected representatives one for each of the districts and a small management committee comprising of 2 part-time farmers and 1 full-time lawyer. The annual meeting is held each year at a different town in Jutland and it is moderately attended. In 1954 it was attended by 15,000 members—the biggest general meeting ever known to Denmark. Such a big number of members, it is reported, attended the meeting with a view to demanding the reduction in the rate of interest on advances to 50%. The representatives number 18 one for each Amt or part covered by the society and are elected by local meetings for a period of 6 years. The post of a representative is much sought after as it carries with it a basic salary of £ 50 plus £ 1 per each mortgage in the area. The latter emolument may bring £ 100 or so. Again social prestige also attaches to the post as it gives scope for taking a hand in the affairs of welfare of fellow farmers. Members of the Board have a right to attend the meetings of the representatives and to vote. Inspection of properties mortgaged is carried out by a panel of valuers who must be members and are likewise elected in districts. The valuers go round the fields, dig pits at random and examine the tilth minutely. Thereafter farm houses, live-stock and implements are subjected to an equally close examination. Owing to the low ratio of the loan to the values of the property mortgaged bankruptces have been lately unknown though there were many during the period of the economic depression of the 1930's.

2. **The Village Savings Bank** :—Though not strictly co-operative in structure village savings banks must be definitely classed as farmers' banks. These semi-co-operative village savings banks constitute a valuable service of second mortgage loans and grant medium and short term credit for purchase of implements and stocks. As in the case of credit societies, loans are granted to co-operatives, schools, parish councils, etc. These are the more general forms of

local rural credit institutions in Denmark but in various parts of the country and noteably in Jutland there are also village savings banks which are strictly co-operative. The main feature of the co-operative village bank is that it is self managed on a strictly local basis. The village banks were set-up with the object of providing a satisfactory form of personal credit to active members and receiving capital from passive members (depositors); the deliberate restrictions of all money transactions and loan business to a small circle of persons well-known to each other makes it possible for all members to accept joint liability as guarantors and bonds-men for all loan commitments entered into by the bank. During the period from 1915 to 1921 about one hundred of them came into being and their development ceased. At present there are over 70 co-operative village banks. 54 of them had a membership of 20,000 and they were affiliated to a special national federation of village co-operative banks and in many cases they utilized the services of co-operative banks as their central bankers. The statistics of these 54 banks showed a total money turnover of £ 55 million and a balance sheet total of £ 3.4 million. About 46% of their assets was in the form of cash credits as against 40% fixed loans secured on property or personal guarantee. On the liability side of the balance-sheet owned capital and reserves amounted to 10 %, current accounts to 21% and deposits to 66% of the total liabilities. Cost of management amounted to only 0·85 % of the balance-sheet total. Interest on the cheapest loans averaged 5·8% and the rate of interest paid on deposits was just over 5%. The working of a simple village co-operative bank at Rysling in Funen in 1956 is given below :

The main object of the bank as stated is the accumulation of local savings for the purpose of local investment partly in co-operatives and partly in members' business (farmers). As the local area is small and members numbered 158 and depositors 1,100, the directors could easily assess the creditworthiness of borrowers and it was not necessary for them to be strict about collateral. But this credit was mainly personal and had to be sanctioned by all the directors; The rate of interest on a 10 year loan was $5\frac{3}{4}$%, current loan was charged $6\frac{1}{2}$% interest. Rates of interest on deposits were $5\frac{1}{2}$% for 6 months, $4\frac{1}{2}$% for 3 months, 3% for a period under 3 months and 2% on current accounts. The bank worked only for two afternoons in a week and could largely operate

by the chairman and directors resulting in a remarkable low administrative cost—0·66% of balance-sheet total.

3. The Co-operative Bank. :

The Co-operative Bank is the fourth largest institution in Denmark with 31 branches and 89 sub-branches and having a greater territorial coverage than any other bank. In the earliest years Danish Co-operation depended mainly upon private banks which had in most cases affiliations with private trade and were, therefore, reluctant to lend on favourable terms to co-operatives. Several major co-operative enterprises such as the first Bacon Factory, the Jutland Feeding Stuffs Wholesale, the National Fertilizers' Wholesale had to centend with difficulties in raising loans with private banks even though they were in a position to provide more than adequate guarantees. When the Central Co-operative Committee representing all co-operative interests in the country was formed at the turn of the last century, it set up a sub-committee to organize a co-operative bank. In 1914 the bank was started , time was not very propitious for the bank and particularly for co-operative enterprises as they were suffering losses on account of a general lack of confidence in the co-operative movement itself in the early 1920's. The result of this was that the bank had to close down in 1925; nevertheless a new bank was started on the ashes of the old. Co-operative confidence in it gradually increased and after reorganization of its business and injection of fresh capital in 1932 it assumed the present name of Andels bank or Co-operative Bank. The object of the bank as stated is " to support co-operative enterprises by carrying on banking activities of every kind including foreign exchange dealings and entering into relations with savings banks and other financial institutions that serve the interests of co-operative societies and federations. " It collaborates, therefore, with existing private and savings Banks that are concerned with agriculture. Like any other large scale organisation, the bank has a paid-up share capital with limited liability. Both individuals and co-operatives may become members of the bank by subscibing to its shares. The lower limit is fixed for share holding but not the maximum limit. Interest payable on shares may not exceed 6%. Over 40% of the share capital is at present held by individuals and the balance by all types of co-operatives.

1. Constitution and Management of The Bank :—The revised constitution of the bank is to hold the scales even between the

claims of individual members and corporate members on the one hand and between the need for co-operative democracy and the need for compact central management organs on the other. The area of the bank is divided into districts each with its own elected district committee of members which maintains close contact with local branch management. Shortly before the general meeting is held district meetings are held so that individual members and corporate members can know the financial position and policy of the bank and be able to express their views thereon. The annual general meeting can also be attended by a share-holder through a delegate or a deputy. There were 31,000 individual members and 1,900 corporate members and the right to vote is confined to members' delegates. Delegates of individual members are elected at the district meetings on the basis of one delegate or deputy for every 100 members in the district. Each member exercises one vote only irrespective of his share-holding. Corporate members can, however, be represented in the general meeting on the basis of their share-holding in the bank. For example large member organisations like the F. D. B., the Supply Wholesales and Marketing Centrals may send one delegate for every £ 25 of their share-holding upto a maximum delegation of 40 for any one organisation. Member-organisations that hold less than £ 2500 shares may combine with others to elect one delegate for every £ 2500 of their aggregate share-holding. These constitutional devices are designed to secure full representation for the member-organisations whether they may be small or big in proportion to their share-holding while giving due weight to the individual share-holder also as they are either share holders or depositors. It is also considered necessary to maintain closer link with the larger member-organisations in the movement. Each delegate at the annual general meeting has a single personal vote. The meeting elects by a method of proportional representation a council of representatives upto 30. In addition to approving the annual report and statement of accounts the council of representatives meets at least twice a year and represents the general membership in between two general meetings. This council consisting mostly of farmers elects from its own members a managing committee of five to represent the bank in relation with members and third parties. After consulting the council of representatives, the managing committee appoints the general management of the bank. These

general managers—usually a body of 3—are responsible to the managing committee for carrying out the day-to-day business of the bank in accordance with its objects and rules. The two auditors appointed by the general meeting must be professionally qualified people and one of them should necessarily be a chartered accountant and neither of them may be a member of the council of representatives or managing committee or staff of the bank. At the end of 1955, the balance-sheet figures as expressed in percentages of total assets and liabilities are given below. The total of the balance-sheet was £ 38 million.

Liabilities	£ %	*Assets*	£ %
Share capital	5	Cash	13
Reserves	4	Bonds and Shares	9
Deposits	78	Loans etc.	
Bills re-discounted	1	Land Mortgage	1
Guarantees	3	Bills	6
Sundry Creditors	8	Loans	20
Dividend Account	1	Cash credits	19
		Current accounts	26
		Sundry debtors	1
		Guarantees	3
		Fixed Assets	2
	100		100

The above balance-sheet shows that the bulk of the funds is obtained from deposits and sale of shares. When the rules were revised in 1932, the maximum of the share capital to be raised was fixed at £ 1 million and this limit was reached just after the war and the fresh maximum limit was set at £ 2 million which is also being on the point of reaching at present. About 43% of the shares is being held by individuals, over 30% by the major organisations like co-operative wholesales, 8% by Bacon Factories, 7% by 812 dairies, 5% by 23 insurance companies, 3% by the farmers and small holders' associations and the balance held by institutions like the butter export associations, consumer and feeding stuff societies and the village banks. The policy of the bank has been to appropriate all the surplus profit to reserves after

paying out 6% on the paid-up share capital. The net surplus profit at the end of 1955 was reported to be £ 1½ million of which 20% was paid as interest on shares, the remaining 80% being either appropriated to reserves or carried forward as undistributed profits. When reserves so accumulated equal the amount of paid-up share capital, the bank is bound under the rules to pay bonus to depositors who need necessarily be members. In 1955 there was a strong demand for loans from the banks but in accordance with the national policy, the bank had to restrict credit. The one major item that could be considered was in connection with export credit to co-operatives of £ 1½ million spread over current account, cash credits and loans. This brought a total of loan outstandings in 1955 to £ 27½ million, 66% of which was with co-operatives and the balance was with individuals and others. As a matter of policy the bank is giving short-term credit to co-operatives in order to enable them to meet their current trading needs. The terms on which credit is granted are the same as those offered by private banks though some co-operative societies found it easier to deal with the bank and find its credit cheaper in various ways. The bank no doubt aims to lend to co-operatives as cheaply as possible but adequate amount of deposits can only be attracted if favourable rates are offered and in order to be able to lend cheaply to co-operatives, it is necessary under the rules of the bank to give favourable treatment to depositors as well as to borrowers.

2. Finance of Co-operative Trading Credit :

Co-operatives in Denmark take up as much long term credit as they can from farmers' credit societies and village banks and for short-term credit, they turn to the co-operative bank. The Danish system of co-operative finance is not yet placed on a basis of self-sufficiency; the co-operative banks' lending power to co-operatives amounting to about £ 15 million does not cover all their needs, and in particular the Central Wholesales will have to find a greater portion of accommodation required by them from private banks as they are called upon by their own affiliates to provide finance to them in the form of trading credits. In such circumstances, and in restricted credit conditions of modern trading, Danish Co-operatives have gradually begun to realize the importance of accumulating members' capital. In fact the whole capital structure is fast changing. In the earlier days members did not put their monies into the societies as all money required was borrowed on the

security of joint unlimited liability of members. The rules of the society were translated formerly into a contract signed by the member under which the member agreed to deliver all the produce through the society or in the case of supply society to purchase its requirements from it and to participate in joint unlimited liability. This binding contract is still a strong financial support to society no doubt, unless it is found to be palpably unfavourable to the member.

The contract is easily enforceable under the Danish Law. During recent years a few departures from the binding rule in the case of bacon and cheese factories have occurred but the co-operatives have succeeded either in enforcing the contract so that they might remain as members or in getting compensation in the case of withdrawals. The system of joint unlimited liability is now being gradually discarded and the majority of societies prefer to have a members' capital. This mostly takes the form of surplus out of profits retained and credited to the member's capital. In many cases societies adopt the share capital usually combined with limited liability which was not previously regarded as an acceptable basis for raising funds but it is now recognized; In fact all central societies have accepted limited liability. The accumulation of members' capital is particularly a useful device for central societies in view of the financial protection they give to their affiliated local societies; where a local society has worked at a loss its union or the wholesale goes to its support in order that it may avoid liquidation. It helps it in gaining a temporary respite during some years in which members either forgo bonus in order to pay off the debt or accept lower prices for their produce. In regard to this matter there is a considerable difference in practice followed. In the case of a supply society, the members feel losses more acutely and have to pay cash to recoup losses while in the case of marketing co-operatives like the dairy or the bacon factory members have to accept lower prices until the loss is paid off. A more onorous burden that lies on central supply societies is the practice of granting trade credit; the managers of local societies are often inclined to increase the turnover of their societies by extending credit to members as they are paid on the basis of commission sales. This naturally leads to difficulties, if the members of local societies do not pay in time; and the locals are also not in a position to repay their debts to the central. Ordinarily 30 days' credit is allowed

for most supply but it has often to be extended considerably for fertilizers. The Funen Supply Wholesale for example allows credit upto 6 months on phosphates.

Insurance :

According to Danish Statistical Year Book there were 267 mutual insurance companies by 1952. Of these 5 were only co-operative with a membership of 8,49,356 and a turnover of £ 418 million Kroners. They are all members of the federation of Danish Co-operative Insurance Societies which is in its turn a member of the Co-operative Central Committee. The oldest and the earliest of the 5 is the Dairies' and Farmers' Accident and General Assurance Society. This society was founded in 1898 to cover and protect the dairies against claims under the Workmen's Compensation Act in operation. There were in 1954 nearly 6,89,000 policies in force with a premium income of £ 1½ million. The original dairy business is at present hardly more than 2% of the aggregate business while car insurance business has overshadowed all the rest put together. Car premiums are paid fairly regularly by the policy holders but premiums for workmens' compensation were reported to be in arrears to the extent of 30% by the end of 1954 awaiting clearance during the first half of 1955. The surplus for the year was £ 90,000 the whole of which was retained in the business and the accumulated reserves amounted to £ 2 million. Of its £ 800,000 investments the greater portion is in the form of credit societies' bonds. Though the society extended its activities to other lines of business after 1908 its structure is still based on dairy districts each of which elects a trust-man who is both an agent and delegate combined in himself every second year. Election is held at the annual meeting of the dairies and this means that more members can participate and the system is reported to have worked well. Elections are not contested and it becomes rather difficult to find a member willing to act as a trust-man. In their capacity as delegates the trust-men elect a representative every two years. There are 24 representatives who meet annually and elect from their number a managing board of 7. The board meets once a month and members receive small stipends of £ 200 for the chairman and £ 50 for others. In this society there is no undue economy practised in regard to the board's expenses which on an average come to £ 8 per member per meeting. Though trust-men's agency is a part-time job it is not a light one since each agent is responsible on an

average for some 500 policies. To assist the agents, there is a staff of 30 or so Inspectors that are stationed at central points. These are shared with a life insurance company and the two posts between them make a full-time appointment worth from £ 600 to £ 1,000 a year. Despite their designation, the task of the Inspectors is not to supervise the Agents but to advise though they submit their own reports to the head office. Apart from the dairy business, the society has to meet competition in all fields; excepting the car business, the society's terms are the lowest and that is why it has by far the biggest business in the country, helped as it is by an agreement with the distributors by the latters' act as the society's agents. For all classes of business the society makes no distinction between country and town though it does most of its business among farmers.

Moveables Assurance Society :

The insurance of chattels in Denmark is in the hands of local societies. The Hjorring Ampts Moveables Assurance Society dates from 1861 and owes its origin to the initiative of one of the agricultural advisers. It now embraces almost every farm in the area as well as many town dwellings. Premium income in 1953-54 was nearly £ 40,000 derived from over 30,000 policies covering goods and live-stock of the value of £ 45 million. The premium charged are 25 to 30 % lower than those charged by any other society. The Committee of the society is directly elected at the annual meeting. It consists of seven members, one from each " Herrad ". Committee members hold office for 3 years and render free services except the Chairman who receives a salary £ 50; travelling expenses are paid upto a maximum of 10-Sh. a day plus mileage for cars. Committee elections have not always proceeded smoothly and a succession of noisy meetings has been a usual feature when one faction tries to unseat the existing members. The local organisation consists of a Parish leader i.e. Agent and two Valuers in each of the 105 Parishes. These are elected once every three years. An agency is regarded in practice as a life-boat. Agents draw commission at the rate of d 1/3rd per £ 1,000 insured plus 10 Sh. for new business, which brings them on an average £ 45 for looking after 300 policies; For visits to places where fires are noticed the agent receives upto 10 Sh. a day but not more than 15 Sh. for any one place where fire occurs. Valuers maximum daily expenses allowed are 5 Sh. The affairs of the society are managed

economically, for example, the Treasurer is paid mainly on commission i.e. £ 150 basic plus 3 Sh. per £ 10,000 insured which brings him about £ 800 per year. The total salary bill of the office is £ 1,600. Premiums vary from 1 Sh. to 2 Sh. % according to risk but for larger sums they are raised upto double the rate for £ 4,000 or over. This peculiar system of charging is actually based on experience as it has been found that small farm which the owner looks after himself is less liable to fire than the farm employing only paid labour. The rules of the society lay down that the society's funds must be invested in local banks, credit societies bonds, loans to bacon factories, and parish councils. It forms a typical example of Danish inter-co-operation.

3. Tryg Co-operative Insurance Society :

While drawing up plans for a co-operative bank the Central Co-operative Committee interested itself in life insurance also. For some time it ran its own life department and contemplated setting up an independent co-operative which in 1911 took over and re-organized an existing life insurance company "Tryg" on co-operative lines. The Tryg Co-operative Insurance Society is one of the biggest life insurance societies in the country and it has a usual co-operative system of elected local and district delegates to represent its wide membership of policy holders.

4. The Pensions Society :

When Danish co-operatives multiplied and developed as giant concerns employing hundreds of members of staff the possibility of a joint super-annuation scheme was visualized but the scheme was rather slow to materialize and in the meantime some societies instituted their own schemes but after 1914-18 war numerous societies, both large and small, combined to establish a joint co-operative pension society for retired and incapacitated employees and their dependents. An essential feature of the scheme is the collective agreement signed between the pensions society and the organisations representing the group of insurable employees. These include (1) large co-operatives such as the major supply wholesale and manufacturing enterprizes, the egg export society, the co-operative bank and other co-operative and agricultural finance institutions; (2) major co-operative federations of marketing societies like dairies, bacon factories with insurable staffs, (3) professional bodies such as the co-operative managers' associations. An example of the collective agreement

signed early by the pension society with the co-operative bacon factory federation may be cited. The agreement provided that certain categories of bacon factory staff e.g. managers, office staff, foremen, would then and in future take out pensions policies (invalid, old age, etc.) at a premium rate of 10% of their salary, half to be contributed by the employee and half by the employing society and an additional sum was to be paid by the factory on entering into the agreement in order to enable the older employees to qualify for a pension. In the special case of F.D.B. which had its own special pension scheme with over 1,000 insured, the agreement provided that it should be transferred to the pension society as the special department supervised by a joint committee representing both parties to the agreement. The Constitution of the pension society represents a harmonious combination of the major interests of the insured person and the employer's interests. The general meeting consists of delegates elected for a period of 3 years by the insured staff within each individual enterprise on the basis of one delegate for the first five to ten insured staff and one additional delegate for every additional forty insured staff but subject to the limitation that no single enterprizer may provide more than a quarter of the total number of delegates. Societies with less than five insured staff may combine to elect delegates on the same basis as the individual policy holders and pensioners may do. The general meeting of staff delegates elects 14 out of 21 member council of representatives the remaining 7 being elected by the Central Co-operative Committee to represent the interests of employer societies. The councll in turn elects the managing committee of 7 members of whom 3 must be selected from among the Central Co-operative Committee representatives.

5 The Mutual Insurance Society :

The youngest of the co-operative insurance societies—the Mutual—was founded in 1911 for the special purpose of providing insurance cover for fidelity bonds for co-operative managers. Later it also undertook insurance against fire and theft which now constitutes the bulk of its business.

6 The Sanitorium Society :

The Sanitorium Society is also affiliated to the federation of insurance societies and furnishes an example of the Danish Agricultural Co-operative Movement getting itself interested in social welfare activities. The society was founded in 1904 by

joint co-operative action as a contribution to the national campaign against tuberculosis which is now virtually eradicated. The society maintains two sanitoria one for T. B. and the other for rheumatic diseases. It had a membership of 4,04,177 and is managed by the elected representatives of over 1,000 co-operatives that have subscribed to its guarantee capital.

V 34 Federations

1. Central Co-operative Committee :

The structure of the Danish Co-operative Movement (vide diagrammatic representation at the end of the chapter) shows a high degree of vertical integration into local, regional and national federation of various kinds despite a multitude of small local societies and division into many specialized branches of activity referred to earlier. There is also a good deal of horizontal integration in respect of different branches of the movement concerned with the marketing of supply of certain commodity groups. This is particularly noticeable in the case of central services such as banking, insurance and representation of the movement as a whole. This process of centralization and integration has not been so much the result of deliberate planning as of gradual and empirical development brought about by local exigency and initiative. Any new co-operative activity would first be tried locally and if justified by experience it would be integrated vertically by forming a central society or a federation for that activity and horizontally as well by entering into joint arrangements with complimentary branches of the movement. It was only when the specialized branches of the co-operative movement came to be established that it was deemed necessary to organise some overall federal link between them at the end of the last century. At that time the major co-operative organizations were the consumer wholesale (F. D. B.), the dairies, and bacon factories federations, the egg export society and the feeding stuffs wholesales. In 1899 a Joint Central Co-operative Committee was set-up to represent and to promote their common interests especially in matters relating to international co-operative relations and it has also been felt that the movement needed a leader at home in organisational matters—such as the need to combine against resistance from the private sector—affecting co-operation as a whole. The effect of forming a sort of loose federal committee of existing organisations and the new comers into the field was to develope a general conscious-

ness amongst the component parts that they were a vital part of the national movement on the one hand and to provide opportunities for liaison and collaboration between organisations with very different objects and with different membership e. g. producer and consumer societies. This fairly informal inter-co-operative committee of central organisations co-ordinated the overall interests of the co-operative movement, for a period of 20 years but in 1917 a wider organisational framework was built around the committee. It became the executive organ of a newly constituted federation of Danish Co-operatives with fuller representation of member organisations and scope for laying down firmer lines of policy for the movement as a whole. The main objects of the federation of Danish Co-operatives were to strengthen co-operation at home and develope inter-national co-operative relations. If a general meeting was attended by delegates of the 28 central organisations affiliated to the federation, each member organisation is entitled to send a delegation equivalent to its management or council of representatives. In between the delegates' meetings C. C. C. remains the permanent organ of the federation and is regarded as a real centre of collaboration between different branches of the movement. The 28 member organisations of the federation have elected 40 personal members on the C. C. C. Meetings are held at least twice a year and more often, if and when necessary, there are special problems discussed. Business is also conducted through special sub-committees and there is also a small executive committee consisting of the Chairman, the Vice-Chairman and two other members. The C.C.C. is financially self-supporting and it derives its income partly through subscriptions to the weekly newspaper issued by it and partly through contributions paid by member organisations in proportion to the number of personal members elected by them. The C.C.C. has taken on promotional functions sponsoring schemes of general interest to the movement until they could be put into effect by a new or existing special organisation; thus it has promoted the Co-operative Bank, the National Mark Association for butter, the Sanitorium Society, the Cement Factory and the National Fertilizer Wholesale and the Agricultural Machinery Wholesale. The main task of the C. C. C. is with regard to the representation of co-operative interests in relation to third parties particularly in questions of broad public nature. This may involve direct action or submission of the case of the

co-operatives to the legislative and administrative authorities relating to legal or fiscal position of co-operatives. The policy of the C.C.C. has generally been to restrict state intervention in the affairs of the co-operatives to a minimum and avoid direct State-aid. In regard to foreign relations the C.C.C. largely works through the Danish Council of Agriculture a jointly formed body by the Agricultural Co-operative Movement and the Farmers' Unions to represent the Danish Agricultural Industry as a whole. The Danish Co-operative Movement has mainly depended hitherto on the educative effects of business efficiency and fully democratic organisations and that is why it has avoided special co-operation education programmes and public works. Under modern conditions, however, some of the co-operative organisations have organised their own educational programmes either in collaboration with the C.C.C. or independently of it. Such educational activities include meetings with speakers, film shows, study circles, training courses, etc. For the past half a century the C.C.C. has been undertaking one important educational activity viz. the publication of an agricultural co-operative paper styled as " Andels Bladet " This organ of the C.C.C. not only provides a comprehensive information service for contemporaries but also constitutes a veritable mine of factual information for students of co-operative history and for practical men in the movement seeking to apply the lessons of past experience. Besides Andels Bladet, the C.C.C. undertakes to publish from time to time special studies of particular problems, conference proceedings and general books. It also publishes annually co-operative statistics worked out by the C.C.C. secretariat which also does an amount of public relations work—answering enquiries, receiving visitors and students of Danish co-operation from all parts of the world.

2 The Agricultural Council :

Agricultural Co-operatives and Farmers' Unions having common membership have different functions to perform, the former being the trading arm and the latter being the professional and political arm of the farmers' movement. Co-ordination of their overall policies and collaboration between the two at all levels is essential. Equally necessary is the clear-cut demarcation of their functions so that a high degree of organisational autonomy might enable it to carry its own specialised functions. The agricultural Co-operation of Denmark has derived much of its strength

and unity because of its equal partnership with Farmers' Unions. It may be noted that there are two types of Farmers' Unions in Denmark, viz. unions proper comprising large and medium farmers and the small-holders' unions. The Farmers' Unions also have grown on parallel lines with the co-operatives. The local Agricultural Associations scattered all over the country are the basic units to provide their members with technical, educational, and advisory services. These local groups joined in regional unions in order to protect their members' interests in general. The regionals in turn proceeded to form central representative bodies viz. the National Federation of Farmers' Union and the National Federation of Small-holders' Unions. The two federations of unions combined with the federation of co-operatives and formed the Agricultural Council. This development took place as early as 1919 as an adjustment to meet the changing economic conditions under free economy before the First World War. There was no need for central representation of agricultural interests but during and after the World War owing to imposition of Government controls both at home and in foreign markets and because of the growing power of organized industry, commerce and labour, it became also necessary for farmers to strengthen their organisations by centralizing and co-ordinating them. The small-holders' federation because of its different outlook ceased to be a formal member of the Agricultural Council in 1939 but collaboration still remains in various ways. Thus the Agricultural Council now consists of only two member organisations—the Federation of Co-operatives and the National Federation of Farmers' Unions. Still, however, the small holders have a representation on various co-operative and export committees whose chairmen take part in the board meetings of the Council. The objects of the Agricultural Council are :—

(a) to promote collaboration between the various farmers' organisations with a view to undertaking the task of common interests but outside the special field of any one of them;

(b) to represent Danish agriculture at home and abroad. The principal fields of the Council's activities are trade negotiations, relations with government, technical and other special committees, information services and participation in the work of international agencies. Increasing State intervention in economic matters has increased the importance of the represen-

tative function of the Council regarding national agricultural policy. The Council negotiates with various ministries on behalf of the agricultural interests, prepares statements and reports for government bodies, exercises influence on legislations relating to agriculture. It also sits on various committees appointed by Government. During periods of Government controls it worked closely with the authorities responsible for allocating agricultural supplies issue of import licenses and building licences. The Council has its own technical committees for tackling special problems and it provides a secretariat for a number of 'attached committees' e.g. production and marketing, broadcasting; it also controls Danish Agricultural Information Service in the U. K. and International Agricultural Collaboration, etc. The Council also collects home and foreign market information and distributes the same among the member organisations directly concerned in various ways as follows :—

(a) through circulars issued,
(b) through weekly periodicals,
(c) in confidential reports issued to the members of the Council and annual reports.

It also employs a Press Officer to watch and brief the Press on agricultural matters.

Achievements and progress of Danish Co-operatives :

The 1956 statistical summary of the Danish Co-operatives furnished at the end of this chapter shows the extent of progress made by different branches of Danish Co-operation and to what extent co-operation has penetrated agricultural economy of the country. Extracts from the statistical data are given below :—

(1) About 20 to 25% of the sale of most of the important groceries and a great volume of special goods took place through the Co-operative Wholesale society of Denmark.

(2) Consumer societies and their organizations handled about 12 per cent of the total retail trade.

(3) 91% of the milk delivered to all dairies was handled by the co-operative dairies.

(4) Co-operative bacon factories killed 99% of pigs slaughtered in all export slaughter-houses.

(5) About 54% of the total Danish butter trade was undertaken by the Co-operative Butter Export Association and 66% of the exports.

(6) Co-operative Egg Societies handled 37% of the total Danish egg exports and 28% of the whole Danish egg trade.

(7) Co-operative societies for the purchase of feeding stuffs handled 56% of the total consumption of feeding stuffs.

(8) Co-operative Cattle Export Association shared 43% of the total meat and cattle exports.

(9) The Danish Co-operative Fertilizer Society dealt with 40.5% of the total trade in artificial manures.

(10 Co-operative societies of producers and consumers of agricultural seeds handled 40% of the seeds used.

(11) The Co-operative Poultry Slaughter-Houses represented, as compared with all the authorized slaughter-houses, 46 % for poultry.

Are there any lessons to be learnt from the Danish Co-operation?

The foregoing pages have described, in brief, the origin, growth and development of the co-operative movement in Denmark as also its distinguishing features and factors that have facilitated its development ultimately leading to its conspicuous success, so much so that Denmark has been described as the best Co-operative Commonwealth in the world. Are there any lessons, therefore, for us ? We must frankly admit that over wide fields of activity we cannot emulate the Danes for various reasons. Denmark is a small country where only 30% of its homogenous population get their living from farming, whereas nearly 70% of the population in India depend on agriculture. The contribution of Danish agriculture to the national income has now graduaIy dwindled to less than 20% of the total as against nearly 45% in India. Despite reduction in income, Danish agriculture has increased its yields by 177%, while India is still struggling after its political emancipation to step up agricultural production to feed its growing millions. Danish peasantry is highly literate whereas the Indian peasant is mostly illiterate. The social and economic conditions in which the Indian peasant lives and works are also entirely different, though the outlook of the Danish farmer on social matters might not be very different from that of his Indian counterpart. For example, the Danish peasant is also accustomed to spend lavishly on ceremonial occasions such as a marriage, like his

Indian confrere. Again, the agricultural background to Danish co-operation materially differs from our own. The great majority of agricultural holdings in Denmark are medium sized farms. Small holdings under 25 acres formed only 17% of the total acreage, and 46% of the total acreage are 25-75 acre holdings, and 24% of total acreage are medium farms ranging from 75 to 150 acres each, while agricultural holdings in India are dwarf and uneconomic ones compared with Denmark. Agriculture in India cannot be carried on profitably or remuneratively without a process of consolidation on a large scale being accomplished. The per acre yields in Denmark are reported to be unsurpassed by any other country in the world, while India stands at the lowest rung of the ladder in respect of yields of most of the crops. Further, under British rule the old economic and social equilibrium of the village was destroyed by the introduction of capitalistic economic forms which thwarted free and economic development in general and industrial development of the country in particular. As a result of an increasingly deterioriating economy, a profound socio-economic transformation took place during the British regime. Certain castes acquired a monopoly of economic power and resources. A brief picture of the socio-economic conditions in the rural areas on the eve of departure of the British from the country are summed up in the following words :—

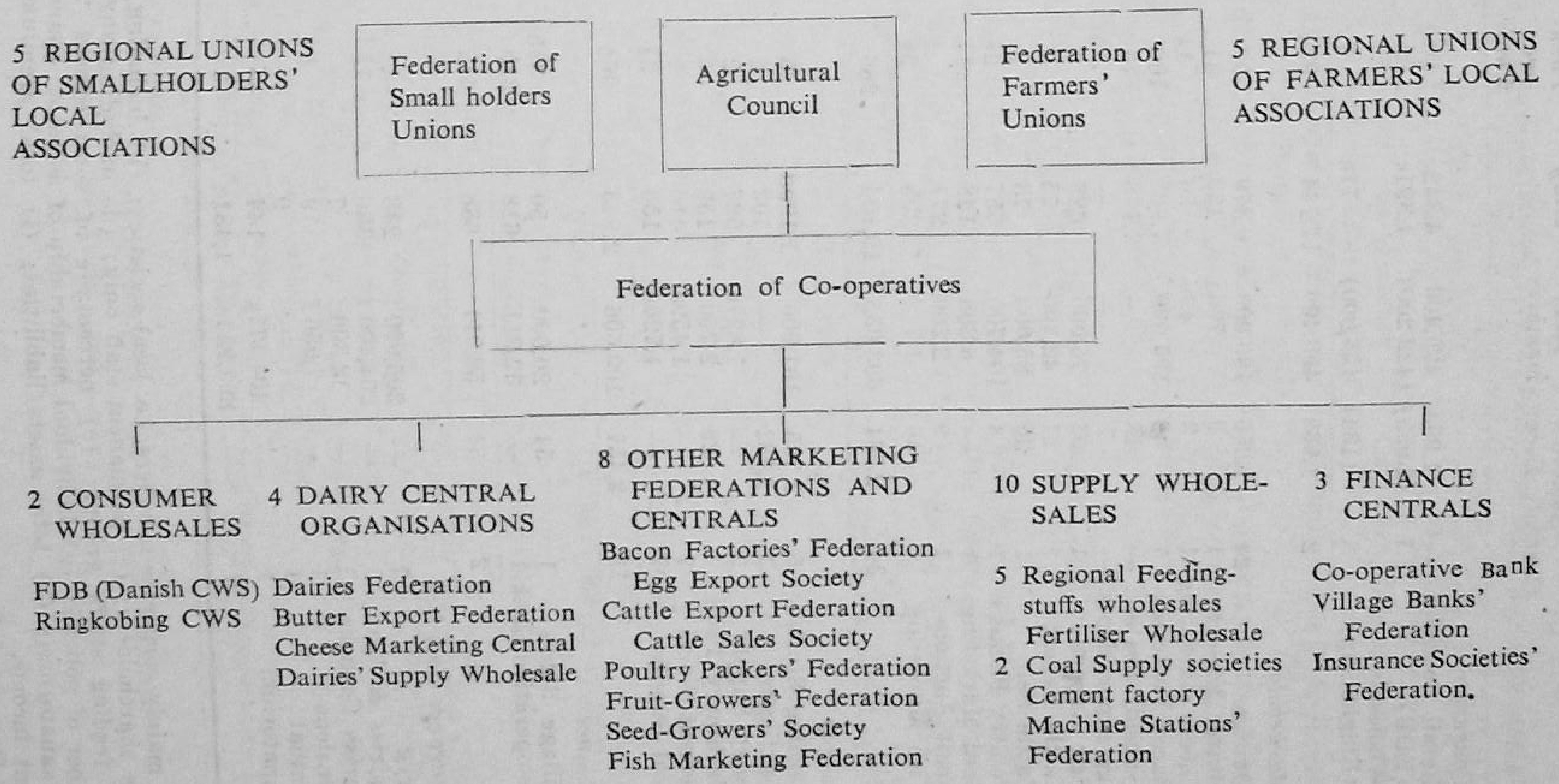
" Land concentration, predominance of uneconomic holdings, a third of the population reduced to the level of agricultural labourers, a large portion of the non-agricultural population living in a precarious condition dependent on the prosperity of agriculture and further a substantial section of even the agricultrual owners and agricultural tenants are medium or small sized farms desperately struggling for survival on meagre agricultural production. "

While analysing the basic factors responsible for the failure of co-operative credit in India, the Rural Credit Survey Committee observes : " It is the private agency, by and large,—the money-lender, the trader and the miller—provide the much-needed facility of credit to the cultivator on the strength of his crop and his repaying capacity, and it is the private agency that holds an open door for him to the urban market. The basic fact is thus the opposition which co-operation has to withstand from relatively powerful private agencies The ubiquity of the private agency,

its widespread network from village to town and city and in particular, the financial strength it derives from its connection with some of the most powerful elements of urban economy are all of the most important factors which place the co-operatives at a great disadvantage in comparison with it and render the competition between them wholly unequal and one-sided. The trader who is so often the money-lender deals with a trading agency, the indigenous banker and gets financial accommodation, if necessary, and the latter in turn can replenish the finance from the wholesale traders or bigger commercial banks in the cities. The money-lender in the village has also connections with other moneylenders or indigenous bankers in the urban areas to supplement his cash, if and when needed. Thus the co-operatives face opposition at different levels, base, middle and apex, from a private set-up of trade and finance which is not only better organized in regard to its technical services but is also much more adequately and powerfully financed from above." Thus powerful forces of urban economy are pitted against the rural producer and his co-operative, and unless rural economy is freed from the oppressive in fluence of urban economy, the rural co-operative which is designed to help the rural producer has little chance to succeed in the adverse economic and social atmosphere in which it functions. It is for this reason that the Rural Credit Survey Committee, in the absence of any better alternative, has suggested the State Agency as the only powerful prop to match these forces, if co-operative credit were to succeed. Thus the Committee has advocated the principle of State partnership with co-operatives and participation in their affairs, the proposals being now implemented by the Union Government. This is in sharp contrast to the policy of Danish agriculture and Danish co-operatives which fight shy of direct State-aid. Again, there has been cordial relationship between agricultural co-operation and private enterprise in Denmark—quite the opposite of what is implicit in Indian economic situation described above. Thus co-operatives in India working as they do under an economic and social set-up entirely different from that of the Danes, cannot follow Danish co-operatives in their techniques and methods of working. But one thing may be noted : We can emulate the fine co-operative spirit of the Danes and their abiding sense of loyalty to their co-operatives and their earnestness in solving their own problems

in a self-reliant manner. The Danes are an intelligent and hard-working people and have forged ahead crossing every hurdle of poor and hard climate and the internal economic disorganization. Here Denmark leaves an example for any other country to emulate. In a small country having similar social, economic and political conditions as the Danes have, there is definitely a lesson to be learnt, and it is this : For the building up of a genuine co-operative democracy, no enactment of a special co-operative law, no registration of societies, no Registrar of Co-operative Societies and a hierarchy of officials under him, and no substantial share capital is required, provided one basic condition is fulfilled and that is, proper human material is forthcoming—the hemogeneous group of people who are inhabitants of a small country and who are fired with love of their country and imbued with a fine spirit of service to their fellow-beings and who are prepared to work on the principle of " Each for all and all for each. "

CENTRAL FEDERATIONS OF DANISH AGRICULTURAL CO-OPERATIVE & FARMERS' UNIONS



Vide Appendix, Occasional Paper XVI published by the Horace Plunket Foundation.

1956 STATISTICAL SUMMARY OF DANISH CO-OPERATION

	Societies Central	Societies Local	Indiv. members	Staff	Turn-over £ mill	% of total trade
II. *Consumer*						
Retail Societies	—	1,963	490,400	4,342c	60	12
(FDB)	1	(2,059)	(422 200)	4,391c	33	—
Wholesale (Ringkobing)	1	(134)	(25,000)	11c	½	—
	2	1,963	490,400	11,744	93½	—
II. *Marketing*						
Dairies	24	1,255	180,000	6,870	98	91
Butter Export	1	9	766a	130	31	61
Cheese marketing	1	3	49a	60	1½	9
Bacon Factories	1	62	195,000	7,909	106	89e
subsidiaries etc.	—	18	—	2,178	16	—
egg export depts.	—	7	—	—	1½	37e
Egg Export	1	1,295	75 000	628	9	—
Cattle Export	1	21	42,300	75	7	43e
Cattle Sale	1	35	85,000	73	9	—
Poultry Packers	1	4	104,700	557	2½	46
Seed Marketing	1	—	6,308	148	1½	40
Fruit Auctions	1	9	2,200	271	½	26e
Fish Marketing	1	46	1 712	205	2½	—
	34	2,764	693,035	19,104	286	—
III. *Supply*						
Feeding Stuffs	5	1,705	101,900	1,199d	25	56
Fertilisers	1	1,732	—	103	6	40½
Dairy Supply	1	—	1,827a	527	2	—
Machinery Pools	1	20	2,700	150	—	—
Cement Factory	1	—	1,459a	416	1	—
Coal Supply	2	—	1,720a	150	2½	—
	11	3,457	109,606	2,545	36½	—
IV. *Finance*						
Village Banks	1	54	20,000	50	3½h	—
Co-operative Bank	1	—	32,911b	618	38h	—
	2	54	52,911	688	41½	—
V. *Insurance Societies*						
Tryg	1	—	206,000 f	248	1 i	—
Dairies & Agr.	1	—	264,400 f	386	1½ i	—
Parish Councils	1	—	12,300 f	7	—	—
Pensions	1	—	7,056 f	19	½ i	—
Mutual	1	—	—	9	—	—
Sanatorium	1	—	404,177g	144	—	—
	6	—	893,933	1,481	3	—

Notes :

(a) mainly corporate members, i.e. local societies; (b) including 1,854 corporate shareholders; (c) permanent staff only; (d) excluding any staff of local feeding stuffs groups; (e) percentage of total export trade; (f) number of policies; (g) individual membership of societies guaranteeing the sanatorium; (h) total assets/liabilities; (i) total premium and investment income.

Vide Occasional Paper XVI published by Horace Plunket Foundation.

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